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NEWS SUMMARY

...ERAL

...rovos ...dmit ...nvoy's ...urder

Provisional IRA yesterday ...ed responsibility for the ...t assassination of Mr. ...topher Ewart Biggs, ...h Ambassador to the ... Republic.

... Ambassador died, the ...s say in an interview in a ...n Sunday paper because he ... sent to Ireland "to ...inate British Intelligence ...ties of the Special Air ...e in South Armagh.

... Provos also said that their ...tign of violence would go ...til it succeeded in bringing ... a British withdrawal from ...ern Ireland. Back Page. ... news, Page 8

...ialists set ...ose Swedish ...eral election

...n's three non-Socialist ...s appeared on the verge of ...storic victory early to-day ...h 90 per cent. of the votes ...ed in the general election ...ars of Social Democratic ...ppeared to be ending. In ...s general election early ...s showed a small reduction ...pular support for Mr. Dom ...ff's Labour Government, ...gh it did not appear suffi... to bring the Nationalists to ... Back Page

...el stamps his ...le on Liberals

...David Steel sent delegates ... from the Liberal Assembly ... relieved that he had ...ed his personal authority ...style of leadership on the ... and given them a glimpse ... road to power—coalition ...accepted as a sensible and ...ng objective. Back Page

...portional representation and ...alition Governments that ... result could have strong ...tages for industry, a Con...tion of British Industry ...ng party has reported to ...BI council. Page 39

... disasters

...nbique teams, aided by ...escue parties from South ..., fought fires underground ...ir quest for more than 100 ...s trapped last week by a ...plosion in Tete province. ...dia vast areas of Uttar ...sh and Bihar were inun...by floodwater, ten miners ... in Bihar.

...banon blow

... talks between Mr. Elias ..., Lebanese President-elect, ...Yasser Arafat, Palestinian ...ando leader, and Mr. Naji ... Syrian Deputy Defence ...er, have failed, the Right... Phalangist radio reported ...eirut last night. Earlier ... Page 6

...sh town

... to-day Darlington becomes ...entre of an unusual two... experiment in noise abate... Officially designated a ...t town," its people will be ...t to a continuous campaign ...ake less noise at work or ...me.

...s happy breed

...s are among the happiest ... in the world and worry ...about money than most .... At the same time one-in... Britons wants to emigrate, ...ling in an international ... public opinion poll pub... by Readers Digest.

...efly . . .

...lav air traffic controllers ...d both aircraft to fly on a ... on course, resulting in the ... Zagreb disaster, an official ... states. Page 8

... George-Brown, former ...r Foreign Secretary, is in ... Bartholomew's Hospital, ...n. for investigation and ...vations. He is 62.

...ess Spencer-Churchill, who ... attended yesterday's Battle ...itain service in Westminster ....

... Victories by Tony Jacklin ...Tommy Horton led Britain ...reland to complete a 20-10 ...essy Cup win over The Con... at Lille.

BUSINESS

Jones attacked over levy suggestion

● MR. JACK JONES' suggestion at the week-end that a capital levy be placed on all companies to support greater investment by the NEB was attacked yesterday by employers. The general secretary of the TGWU also warned the Government not to allow profit margins to rise too steeply at a time of voluntary wage restraint. Back Page

● MRS. SALLY OPPENHEIM, Opposition spokesman on Prices and Consumer Affairs queried whether the present network of consumer advice centres was "cost effective." Page 8

● LONDON local authorities need a vigorous building programme of houses for rent to reverse the decline in the economically active population, said the GLC's housing development chairman. Page 11

● SOVIET AGRICULTURE delegation is expected to visit London to discuss machinery purchases, said the Minister of State for Agriculture.

● SPECIAL DELEGATES' conference will be held by Nalgo, the biggest public sector union, later this year to increase the momentum of its campaign against public expenditure cuts. Page 8

● TUC PUBLISHES a policy report on devolution to-day which backs the Government. Page 8

First oil from Beryl Field

● FIRST OIL from the Mobil Group's Beryl Field in the North Sea has been loaded on to the specially adapted tanker Mateo Avon for delivery to the group's refinery at Coryton on the Thames. Page 11. Britain and Norway are about to start formulating plans for a united export drive into world offshore gas and oil markets. Page 4

● COMMON MARKET chemical industry is using energy more efficiently, according to a survey by the European Council of Chemical Manufacturers' Federations. Page 8

● BOEING of the U.S. reports a faster rise in sales of new aircraft worldwide. Orders worth $200m. have been announced in the past week. Page 4

● JAPAN will extend more than $2bn. in credit to Brazil in the next three years to get several large joint projects off the ground. Page 4

● ITALIAN motor industry has reacted strongly to the Government's decision to impose a "once only" tax on cars, motorcycles, motor-boats, private planes and football pools to help finance the reconstruction of earthquake-hit Friuli. Page 6

SE to consider Talisman

● STOCK EXCHANGE Council to-morrow considers the future of the £15.7m. Talisman computerised settlement system. The meeting gives members opposed to the scheme, mainly on cost grounds, a chance to press their arguments. Back Page

● LAIRD GROUP first-half pre-tax profit fell to £3.04m. (£3.53m.). Page 32 and Lex

● BRITISH Electric Traction chairman said results to date were encouraging and profits for the year should exceed the record of £45.92m. established in 1973-74. Page 32

● BRITAIN is still attractive to U.S. companies. Among those planning to open new factories in Europe in the next five years a survey by the American magazine Business Week found that the U.K. was second only to Germany.

● NCB IS spending a further £300,000 to speed up plans for an £80m. pit at Hopton near Stafford. Page 37

FEATURES

For latest Share Index 'phone 01-246 8026

Kissinger hints at progress after day of talks with Smith

BY BRIDGET BLOOM: PRETORIA, Sept. 19

The possibility of a U.S.-sponsored settlement of the Rhodesian crisis hung in the balance to-night as Mr. Ian Smith, the Rhodesian Premier, and Dr. Henry Kissinger, U.S. Secretary of State, concluded eight hours of talks.

They apparently centred on the acceptance by Mr. Smith of a rapid transfer to majority rule in the rebel colony.

Total secrecy surrounded the talks which began here this morning at the U.S. Ambassador's official residence. They ended, with a break this afternoon, at about 9.30 p.m. at the residence of Mr. John Vorster, the South African Prime Minister, who joined the second session.

At the end of this evening's meeting Dr. Kissanger hinted that progress had been made. Without giving any details, the U.S. Secretary said he was satisfied that Mr. Smith and his colleagues would "report favourably to their colleagues" in Rhodesia on "propositions" put to them.

Mr. Smith's team included Mr. David Smith, the Deputy Prime Minister, and Mr. Jack Muffett, the Internal Affairs Minister.

The propositions, Dr. Kissinger said, had been "jointly developed by the U.S. and Britain in close consultation with the Presidents of black Africa." Mr. Smith would present them to his party caucus in Salisbury, where he was returning to-night.

While this "institutional process" was going on in Rhodesia, Dr. Kissinger said he would be seeking "certain clarifications" from the black African leaders, in particular from President Kenneth Kaunda of Zambia and Dr. Nyerere of Tanzania, in what may turn out to be a key point.

He expected "this process of clarification and consultation will be concluded by the end of this week." He is to leave for Zambia early to-morrow morning, and will have talks with the Tanzanian President on Tuesday. He will be in London on Thursday.

Immediately after making his statement, Dr. Kissinger returned to continue his talks with the South African Prime Minister for a further hour.

However, there was immediate speculation that Dr. Kissinger believed he had obtained major concessions from Mr. Smith on the central issue of white Rhodesian acceptance of an early transfer to majority rule.

Few people here doubt that Dr. Kissinger, backed by Mr. Vorster, has been trying hard to persuade Mr. Smith that the U.S. initiative in southern Africa provides white Rhodesia with its last chance of a negotiated settlement.

But given the Rhodesian Prime Minister's persistent refusal to countenance majority rule, which he recently called a "gimmick," there is perhaps the same amount of scepticism as to what Dr. Kissinger may have achieved.

It is felt that Mr. Smith's main reason for meeting Dr. Kissinger is to reduce his own and white Rhodesia's sense of isolation in the face of the escalating guerilla war and Dr. Kissinger's present diplomatic effort in southern Africa.

Moreover, whatever Mr. Smith might say to Dr. Kissinger he has no more intention now than in the past of acceding to nationalist African demands.

But it is pointed out that Dr. Kissinger, who has already been criticised in black Africa for his decision to meet Mr. Smith, would not have gone into to-day's discussions had he not been more or less certain of gaining major concessions from the Rhodesians.

The proposals being put to Mr. Smith to-day have clearly been co-ordinated with the British Government. Sir David Scott, the British Ambassador here and Mr. Richard Samuels, the special British envoy travelling with the U.S. party, have already seen Dr. Kissinger six times in the last two days.

No details of the proposals have been made public, but except in one key respect they seem similar to those put forward by President Nyerere ten days ago to the British and U.S. Governments

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Other developments Page 7

IMF calls for cut in rate of monetary expansion

BY DAVID BELL WASHINGTON, Sept. 19.

THE INTERNATIONAL Monetary Fund warns in its annual report published to-day that the rate of monetary expansion in many industrialised countries "will need to be reduced considerably if a return to reasonable price stability is to be achieved in the next few years."

Although the Fund would never say so, it is clear that it will approach any British application—if and when it comes later this year—with these guidelines very much in mind. Action taken in Britain over the past few weeks may well have been designed to show that Britain is well aware of this and is paying much closer attention to domestic credit expansion and money supply figures in advance of making a formal application to the Fund.

In a sombre review of the world's economy the fund also notes that worldwide unemployment and inflation are both higher than in comparable periods of earlier upswings, but that the expansion of the world economy is already brisk enough to arouse "widespread concern" about the risk of renewed inflation.

The fund says, in a section which may read as a warning to Britain as well as other countries with similar problems, that apart from tighter control of the rate of growth of the money supply demand management policies in the medium term "ought to be based on an expansion in nominal GNP encompassing growth only marginally above the assumed rate of growth in economic capacity." Otherwise, it says, there will be no real reduction in inflation and without that any growth policy will fail.

The report concedes that a "difficult and uncertain" situation confronts the industrialised nations but points out that in many countries rates of monetary expansion are still in double digits, sizeable amounts of fiscal stimulus are still being planned, and "budget deficits remain very large in a number of countries." Nevertheless the report's authors acknowledged the problems raised by the claims of competing groups within some countries and grants that special measures including ones to deal specifically with unemployment may be necessary.

The report says that use of its drawing facilities increased sharply in 1975 and the early part of 1976 partly because of the oil facility and partly because of the compensatory financing arrangements. At the end of June the outstanding drawings of SDR 13.5bn were the highest in the fund's history.

The report notes that the oil facility accounted for about half this sum and that it was financed from "borrowed resources," but that nevertheless the "record level of utilisation of the remaining drawing facilities as a result of recent large payments imbalances has substantially reduced the fund's liquidity."

The fund points out — as it has before — that there was a sharp reduction during the year in the current account surplus of the oil exporting countries from about $67bn. in 1974 to about $35bn. in 1975. This was in turn reflected in the rise of the current account overall balance of the industrialised countries which, the fund calculates, went from $29bn. deficit in 1974 to a $19bn. surplus in 1975—although surplus was very unevenly spread.

The fund notes that for the first time since 1961 the reserves of non-oil producing countries actually fell last year and that, although the fortunes of many of them are now improving with the economic recovery, the fall in the ratio of reserves to imports "would seem to reflect some decrease in reserve adequacy." The report also says that despite the improvement in world trade this year many of these nations are still in a "difficult and vulnerable external financial position."

There is little mention in the report, of the fund's gold auctions but it does note that any assessment of the adequacy of "global reserves" as a whole is made "particularly difficult by the uncertainty surrounding the proper value of gold holdings."

U.K. money supply rises again

BY ANTHONY HARRIS

THE GOVERNMENT borrowed £578m. from the banks to cover its deficit in the month to mid-August, after the authorities were unable to sell enough Government stock to cover redemption.

As a result, the money stock on the broad and narrow definitions, rose rapidly for the second successive month. There was also a large rise in sales of Treasury bills outside the banking system — holdings which would be a base for further monetary expansion if purchased by the banks.

The developments, which formed the background to the call for special deposits last week, mean that monetary growth has an annual rate of more than 16 per cent. over the last three months. A sharp reduction will be necessary to keep within the Chancellor's target of 12 per cent. growth

The authorities are trying to achieve this through substantial sales of Government stock, and the market expects a large new offer of stock in the near future as soon as the market's response to the latest monetary measures has been gauged.

While the City forecast a month of rapid growth after the clearing bank figures had shown a very sharp rise in bank holdings of Treasury bills—the reflection of their lending to the central Government—the increase may prove more than forecast.

Bank loans to the private sector, which had been growing fast in earlier months, fell sharply—though only by £15m. more than was expected for seasonal reasons. This appears to confirm that the earlier growth in spending was a statistical oddity although the growth through the financial year is substantial.

The scale of Government borrowing, despite the encouraging low figures for the Government deficit, reflects the failure to sell stock. Part of the burden of the tax rebate reflecting the "conditional" income tax cuts made by the Chancellor in June and paid retrospectively, will inflate the figure, but the impact will be felt next month.

The month's growth of 1.9 per cent. in the money stock, M3, on which attention is usually centred, is the second largest monthly increase this year.

The figures also show that the discount market has a large unused capacity for expansion

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GROWTH OF THE MONETARY AGGREGATES

	Money stock M1			Money stock M3			Bank lending*	
1975	Unadjusted	Seasonally adjusted	%	Unadjusted	Seasonally adjusted	%	Unadjusted	Seasonally adjusted
August 20	175	376	2.4	435	604	1.6	−275	−112
September 17	194	230	1.5	205	206	0.5	−466	−195
October 15	170	73	0.5	429	462	1.2	23	76
November 19	−72	7	—	−39	−239	−0.6	−44	13
December 10	535	233	1.4	362	−22	—	−172	−27
1976								
January 21	−612	−48	−0.4	−257	430	1.1	490	−13
February 18	484	620	3.8	315	573	1.5	−83	−22
March 17	351	140	0.8	416	172	0.4	−104	−124
April 21	562	340	2.0	757	522	1.3	503	479
May 19	−73	−8	—	757	245	0.6	24	185
June 16	70	−174	−1.0	279	216	0.5	34	227
July 21	436	539	3.1	1,141	795	1.9	1,437	710
August 18	300	331	1.9	538	681	1.6	−365	−15

Seamen's employers prepare pay offer

By Ian Hargreaves, Labour Staff

The final shape of the ship owners' offer to the National Union of Seamen will be decided to-day at a meeting of the 40-member general policy committee of the General Council of British Shipping.

The feeling among shipowners last night was that although the council will adopt, as requested by the TUC, a "constructive" approach in its offer, a period of hard bargaining lies ahead, especially if Left-wing members of the seamen's executive are successful in keeping demands for a cash payment for "captive time" (hours seamen are forced to spend on board in port when not actually working) at the centre of the negotiating stage.

The employers' offer will be put to the seamen to-morrow. If agreement is impossible, the threat of a national strike from next Monday still applies. On the other hand, if the NUS executive accepts the terms of the offer, it has the power to call off the strike without recourse to a second ballot of members.

The main lines of the shipowners' offer were established at a meeting of the shipping council's industrial relations policy committee on Friday.

The implications of the fringe benefits approach to the seaman's problem are expected to be discussed at to-day's TUC-Labour Party liaison committee.

There is anxiety in some quarters that any settlement could lead to a surge of similar fringe claims, even though most unions seem to be taking the view at this stage that the seamen are only being offered improvements of kind which are included in the annual pay and conditions claims of most trade unions as a matter of course.

Behind the seamen's claim Page 9

'DOCTRINAIRE AND MISLEADING'

City attacks Labour's bank plans

BY MICHAEL BLANDEN

A STRONG attack on the Labour Party's proposals for nationalising the big banks and insurance companies has been produced by the influential City Capital Markets Committee.

The Committee, with members from all the major City sectors, says the statement published by the Labour Party's National Executive Committee recently is "based on selective and misconstrued evidence." The arguments presented by the Party Committee are "doctrinaire and misleading," and its conclusion that the four major clearing banks and seven leading insurance companies should be nationalised "has no relevance to the common objective of increasing industrial investment," the City Committee states.

Comments

The Capital Markets Committee, under the chairmanship of Mr. Ian Fraser, makes these comments in introducing a special paper prepared as the latest shot in the City's campaign against the party's proposals, which are thought likely to be adopted as official Labour Party policy at its conference later this month.

The proposals, the City Committee says, far from solving the basic problems of the British economy, would "exacerbate our national difficulties and impede recovery." Even if the proposals are not thought likely to be implemented, it argues, they can threaten the "unique, worldwide reputation" of British banking and insurance. "Interna... [illegible] uncertainty over their future can only be damaging to this country and to the institutions themselves, and a source of comfort to their overseas competitors."

The paper has been prepared by Professor Harold Rose, economic adviser to Barclay's Bank. He says that to nationalise the institutions "on the basis of a collection of assertions passing for argument such as those in the (party) document, may seem only a simple act of faith to those for whom the virtues of nationalisation are axiomatic: to others it will seem the height of irresponsibility."

The arguments for nationalising banking and insurance, he says, draw "a false conclusion from a doubtful premise." Finance, he argues, has not been the constraint on economic growth. "All evidence at present is that investment in Britain is being retarded not by deficiency of finance but by a combination of excess capacity, low profitability and uncertainty as to the future."

Errors

Professor Rose examines in detail the various arguments put forward by the NEC and maintains that its statement "contains elementary errors of fact, and at several points draws quite the wrong conclusions from the second-hand statistical sources it quotes."

Sir Geoffrey Howe, Tory economic affairs spokesman, has written to the Prime Minister, who returned from Canada yesterday, asking him to repudiate bank nationalisation.

He said the important contribution by the banking and insurance sector to the balance of payments would be gravely damaged if the proposals were put into effect.

Editorial comment Page 14

DoT inspectors meet next week

BY MARGARET REID

THE CONFERENCE of Department of Trade Inspectors which Mr. Edmund Dell, the Trade Secretary, has called to discuss the procedures followed in company investigations is to be held next Monday, September 27, it is understood.

The meeting will be a highly topical one in view of the intense public interest in recently published inquiries into a number of companies including London and County Securities, Lonrho and, last week, Ralph Hilton Transport Services, renamed Roadships.

The conference was foreshadowed in July when Mr. Dell, replying to a letter from Mr. Nicholas Goodison, chairman of the Stock Exchange, about the inspection system, said he was summoning a further conference of inspectors, following one held two years ago. "This will provide the opportunity for a full exchange of ideas between people who, collectively, have a very wide range of experience of the inspection procedures," he said.

Mr. Goodison, while supporting the company inspection system, had put forward suggestions for narrowing the ambit of inquiries by more restrictive terms of reference, reducing the time they took, and perhaps appointing solicitors as well as QCs as inspectors.

Under the present system, a leading accountant and QC are normally appointed to conduct investigations into companies for the Department of Trade.

Mr. David Hobson, senior partner in City accountants Coopers and Lybrand, one of the inspectors who investigated London and County Securities, said last night that he would be attending the conference. "I think it's useful to have an exchange of views on whether the procedures are working satisfactorily and to what extent, if any, they can be improved," he said.

The conference is to be held in Pall Mall, London, in the building of the former Combined Services Club. It is not yet known whether Mr. Dell will preside over the proceedings

LOMBARD

The City's role in mergers

BY GEOFFREY OWEN

RAYMOND CHANDLER fans will find plenty to entertain them in the Department of Trade Inspectors' report on Ralph Hilton Transport Services, which was published last week. Although the Inspectors' style verges on the florid ("McNaughton's sun did not shine on the winter of ICFC's discontent from an unclouded sky"), they have contrived to lighten their analyses and judgments with a lively account of muggings in Piccadilly, threats of violence in the Grosvenor House men's room and other unsavoury episodes. But the gory detail is unlikely to distract attention from the most important issue arising from the report—the responsibility of financial advisers to the investing public.

Ill-defined

One of the areas in which the role of merchant banks has often seemed ill-defined is in relation to mergers. When well-known merchant bankers put their names to documents which talk about how a merger will lead to "stronger management, greater financial resources and faster growth," shareholders assume that the financial advisers have gone to some lengths to satisfy themselves that the management has the capacity to run the enlarged group and that the financial resources are available.

The advisers cannot always be expected to uncover every hidden skeleton and they are dependent for much of their information on the directors of the company. Anyone can make mistakes in judging management ability, but there have been too many cases where over-optimistic projections have been made without adequate investigation by the financial advisers concerned. One celebrated case was the French Kier merger in 1973, where unsuspected weaknesses in one partner almost brought the whole group to the point of collapse. The chairman subsequently questioned whether the City was properly equipped to deal with mergers. "The presence of deeply respected names of City firms," he commented, "tends in most minds to lend an authenticity to information or projections which in the end are heavily qualified."

In the Hilton report the directors of J. and H. Transport, which Hilton wanted to take over, were strongly influenced by the fact that Hilton had recently gone public and had thus received the City's seal of approval. They assumed that, as had happened in their own flotation, Hilton's affairs had been gone through with a fine toothcomb by the bankers concerned with the issue.

The offer document supporting the merger contained the statement: "With the combined financial and management resources . . . the new group will be in a stronger position to consolidate for further expansion." This and other statements in the document, including the profit forecast, were, in the Inspectors' view, unjustified. Two key directors of J. and H. resigned because they disagreed with the merger and this weakened the management, the Inspectors comment that in to-day's climate (though not in 1971 when the merger took place) directors would be expected to give reasons to the shareholders for resignation. The Inspectors say that ICFC, which had arranged the Hilton flotation in the previous year and was sponsoring the merger with J. and H., did not attempt to ascertain whether the Hilton management was capable of handling the enlarged business.

It can be argued that this mistake was common at that time, when many mergers were being pushed through with no proper consideration of the management problems involved. The Inspectors themselves, before deciding to criticise ICFC so forcefully, considered "whether we have not over-estimated the results which can be achieved by the sort of screening processes carried out by the average issuing house." Their conclusion was that, in failing to appreciate that the atmosphere and management style at Hilton were "completely out of place in a public company," ICFC were guilty of "a degree of culpable blindness and deafness."

Perfunctory

The power of a merchant bank in relation to its clients is always limited. It is not running the business and cannot dictate how it should be run. The question is what degree of independent investigation is necessary into the performance of a client's management, its ability and intregity, before a merchant bank is justified not merely in sponsoring a flotation or a merger, but in having a continuing relationship with the company. The case for making the investigation as thorough as possible should by now be unanswerable.

THE WEEK IN THE COURTS

The twilight zone of good business and malpractice

BY JUSTINIAN

THE PUBLIC may justifiably be puzzled by the report on Slater Walker Securities containing a QC's opinion that loans from it to related companies breached section 54 of the Companies Act 1948. What precisely does the law have to say about loans to directors and associate companies?

Certain transactions involving limited liability companies that are likely to lead to abuse and cannot be justified on other grounds are prohibited by the law. But in its legislative attempts Parliament has produced a huge twilight zone in which the law gropes for distinctions between good business and sharp practice, and sharp practice and fraud.

It has long been unlawful for a public company to make a loan to one of its directors or to stand guarantor for him. And the rule in section 190 was extended to all private companies in 1967.

There is, however, no criminal penalty for breach of this rule, but anyone authorising the loan or guarantee is personally liable for any loss incurred by the company, except where the loan was to enable the director to carry on the business of the company and had been sanctioned in general meeting.

Even a more potent sanction against those authorising such loans would hardly prevent directors from making use of their company's funds for their own purposes in all circumstances, since the prohibition covers only present directors. The law can simply circumvented by the resignation of the person concerned. There is also no bar on loans to managers or controlling shareholders.

And there is another loophole. The company may make its loan to another company which is wholly owned by the director. The courts have partially plugged that gap by treating the company as the director's alter ego.

But supposing the director is only a substantial shareholder. Then it is impossible for the courts to say that the company is the director's puppet, and the loan to the company escapes the clutches of the prohibition.

The policy of section 190 is clear. It is aimed at a transaction which may often be innocent but which so often lends itself to improper purposes that it is thought better to make it the subject of a general prohibition. But the heart of the legislator has failed him in the event, and the consequence is a lattice-work rule that is wide open for evasion.

Much the same can be said of section 54 which is a more specific prohibition against loans by companies. It provides that it is unlawful for a company to give any financial assistance in connection with a purchase made by any person of or for any shares in the company or in its holding company.

The section dates back to 1929, and was designed to combat an evil that pervaded the commercial scene in the years following the First World War. Financiers and speculators in shares looked around for some rich pickings in the form of companies with substantial bank balances or easily realisable assets.

They bought up the whole or the greater part of the shares of the company for cash and so arranged matters that the purchase money was advanced to them by the company whose shares they were acquiring. The loan was made out of the company's cash balance or by realisation of its liquid investments.

Section 54 was Parliament's response to this undesirable practice. It made exceptions for loans made in the ordinary course of a company's business and for the provision of money for the acquisition of shares for the benefit of employees. But has it been any more successful in stifling commercial malpractices?

Great doubt

There is great doubt about the precise scope of the section, and indeed whether the prohibition is necessary with regard to the rule that it is unlawful for a limited company to buy its own shares, such a purchase being in effect a reduction of its share capital.

A company that lends money to a person to buy its shares simply changes the form of its assets; and if the borrower is able to repay the loan the company's capital remains intact. No harm ensues. If the assistance to the borrower is improper and the company suffers loss the directors who are parties to the transaction will be liable for misfeasance.

If people lacking the necessary funds to acquire control of a company from their own resources gain control with large assets, on the understanding that they will use the company's funds to pay for their shares, there is a distinct possibility that the company will be made to part with its funds either on inadequate security or for an illusory consideration.

If the speculation succeeds, the company and its shareholders will suffer no loss. If it fails, it may be little consolation for the shareholders that the directors are civilly liable. These considerations led the Jenkins committee in 1962 to recommend both the retention and strengthening of section 54.

Some of the implications of section 54 as it stands may be considered by reference to a fictitious illustration in which, for ease of understanding, the facts and figures have been oversimplified.

An English company carrying on business abroad has sold all its assets and brought the proceeds home. It has £1m. in the bank and is continuing to exist, rather like a capon on the eve of execution, in a state of prosperous immobility.

The directors own 30 per cent. of the shares, and the remaining 70 per cent. are widely distributed among a public consisting largely of retired clergymen and ex-colonial civil servants living on small pensions. A take-over bidder finds out from the directors (whose decision is eased by the promise of golden handshakes for loss of office) that they are ready to accept £1 each for their own shares, and to recommend a similar offer to outside shareholders. Outside shareholders who own, say, 25 per cent. of the shares do accept this offer.

The bidder can now acquire 55 per cent. of the issued capital at a total cost, at £1 per share, of say £600,000. For this outlay he can get control over £1m. His only problem is to find £600,000 out of the company's money without infringing section 54.

To demonstrate how this may be done would require a great deal more than a portion of this column to explain. It is difficult to grasp, in the absence of direct experience, the subtle blend of double-think, conscious technique and numerate instinct with which operators of this type seek to steer their craft round section 54.

The pinnacle of the operation is reached on a single day, at a series of meetings succeeding each other rapidly, at which resolutions of companies are passed, minutes signed, drafts exchanged, contracts executed, directors resign, new ones appear. All in accordance with pages of agenda in which the order of every step is, with an eye firmly riveted on section 54, set down like the choreography of a ballet. Tax evaders even have something to learn from these gyrations of speculators.

Such transactions involve the risk that the performers will nevertheless trip over themselves. And some wizard from the Chancery Bar may subsequently pick his way through the thickets and declare it his opinion that the operators have in fact misfired with their elaborate operation.

Such a breach can, and has in fact in several cases during the past years involved amounts in six and seven figures—for which the maximum penalty for slipping up is only a fine of £100.

FT soccer writers look at two clubs, Chelsea and Portsmouth, which have pressing money problems

Chelsea's style could wipe out £3m. debts

CHELSEA BEGAN the season knowing that their sympathetic creditors had given them 12 months to prove they could pay their way and reduce their indebtedness—with liquidation the bleak alternative.

Total liabilities of about £3m. still represent a daunting task for a Second Division football club, especially in the present financial climate. But, on Saturday's evidence, it looks as if they may succeed.

There were unmistakeable signs of optimism at Stamford Bridge reflected both by the spendid performance of the players on the field and by the obvious enthusiasm of the directors, administrative staff and supporters.

The threat to the club's existence seems to have breathed fresh life and determination into it, so that everyone is becoming involved in an emotive "Chelsea will rise again" campaign.

This is typified by the cash for points schemes, which has been started by a season ticket holder. Its great attraction, apart from the money raised, is that it enables any fan to feel that by contributing as little as 50p he has become an active participant in the battle to save his club.

On Saturday, this scheme produced £2,500 and if the team continues to prosper it should, with spin-off, provide by the end of the season between £50,000 and £100,000, showing that Chelsea do possess the will to survive.

Compared with the U.S. and parts of Europe, sponsorship in English league football is in its infancy. Chelsea's commercial manager is busily seeking new ways of obtaining money from industry, in addition to the existing ones, of site and programme advertising, hiring out boxes and individual match sponsorship which so often turns in to a hit or miss affair. If he is successful this could provide another welcome source of revenue.

Although Chelsea have already pruned their expenditure, they have avoided the fatal step of raising money by selling that intangible asset, their players; because without a good team they could not attract the support on which their existence must ultimately depend.

Effective

It says much for their manager Eddie McCreadie that the young side he has built not only beat Bolton Wanderers by two goals to one—and as a result move to joint top of the table—but played an effective, exciting and skilful brand of football which would not be out of place in the First Division.

If they continue to provide entertainment of this calibre, then a gate of 25,000, the highest in the Second Division and their best of the season, could become a regular feature, and wou[ld] cover their outgoings.

However, even if Chelsea we[re] to attract an average home ga[te] of over 30,000 this would not [in] itself be sufficient to drag the[m] clear of the red, as attendanc[es] at so many of their away match[es] in this division are under 10,0[00].

This means that their share [is] insufficient to meet their runni[ng] costs. Therefore, it is essenti[al] they return to the First Divisio[n] and ideally into Europe as well.

Can this be achieved? It [is] too early to speak with a[ny] certainty, but there is no d[is]guising the talent that abou[nds] in their team.

Ray Wilkins, combining [the] role of support striker to [the] two front-runners with that [of] midfield creator, has alrea[dy] blossomed into something ve[ry] special.

The promise of Finnieston a[nd] Swain is obvious, and Loc[ke] overlapped well and cent[red] with a precision not always fo[und] coming from a full-back; whi[le] I was very impressed with St[an]ley, Lewington and, especial[ly] until injured, Britton.

The two doubts concern t[he] left-back Graham Wilkins a[nd] Bonetti. The former might ha[ve] trouble with a fast raid[ing] winger and the latter, besid[es] being largely responsible for t[he] last-minute goal, looked d[is]tinctly vulnerable against t[he] high cross under pressure.

TREVOR BAILE[Y]

Pompey need a new Monty

THE LATE Field Marshal Lord Montgomery, one of whose lesser known battle honours was the presidency of Portsmouth FC, said not so many years ago: "A football club is like an army; it needs a good general." He said it, as I, recall, after Portsmouth had achieved a useful win in what was by then a perennial fight against relegation from the Second Division.

Now, to use a Montyism, Pompey have been hit for six, six times in an over it would seem. A heavily financed attempt to buy success has boomeranged, and the club, in arrears with its commitments, faces bankruptcy. The chairman, a property developer, is apparently not so prosperous as he was three years ago. A full-scale accountants' investigation has been commissioned to clarify the picture (debts are said to exceed £¾m.) and advise on measures to be taken. A local newspaper is leading a drive to raise £25,000 by November 1 and £5,000 has so far been raised towards this stave-off-disaster fund, which would merely give the club time to breathe.

Good generalship, it seems, has been lacking. Under the new regime in the Boardroom managers and captains have changed. The current manager, Ian St. John, who won fame on the field for Liverpool and Scotland, was hired at a First Division manager's salary, but without the money to go out and buy the players he wanted to rebuild this famous club, Cup-winners in 1939, and League champions in 1948-49 and 1949-50.

The whole of the Portsmouth squad has been available for transfer for more than a year, but the bottom has dropped out of the market. The only significant sale has been that of Marinello, to Motherwell, the club St. John managed before he joined Portsmouth. The fee was £35,000—£65,000 less than Portsmouth paid Arsenal for him two years before.

Reluctant

Schoolboys and pensioners have been sending their mites to help. Former players, including Jimmy Dickinson, MBE, the club secretary, who made 764 League appearances for the club, and groundsman Duggie Reid, once rated the hardest shot in football, have promised to play in a fund-raising match. Last week the playing staff, many reputedly on a basic £38-£50 a week, said they would take a wage cut to help the club. Yet, despite all this rallying to the flag, only one junior director travelled the comparatively short distance to Gillingham for Saturday's match. That director was reluctant, perhaps understandably, to discuss the plight of Pompey with members of the Press. The players, discerning an apparent lack of interest from those responsible for ensuring their livelihood, could possibly feel that their heart-warming gesture was misplaced. And how would the Portsmouth Board's sorry turn-out have measured up to Monty's generalship criteria?

Perhaps it is too late now, but Portsmouth could have learned a valuable lesson from Gilli[ng]ham on how to survive o[n a] modest income. Gillingham ha[ve] never suffered from folie [de] grandeur, and the most th[ey] have ever paid for a player w[as] £18,000.

Portsmouth paraded their m[ost] expensive player, Paul Went, w[ho] cost them £154,000 in Decemb[er] 1973. Having spent his prof[es]sional career as a centre-half, [he] is now being used as what u[sed] to be called centre-forward. [In] the course of Gillingha[m's] merited 2—1 win, Went, now [the] Portsmouth captain, got li[ttle] change out of Gillingha[m's] 6 feet 2½ inches Shipperley, a[nd] his club colleague at Charl[ton]. Nor was Went able to show m[uch] inspiring leadership; lead[ing] the attack, being so heav[ily] dependent on one's team-ma[tes] is no position from which [to] captain a side, particularly [one] which is struggling for surv[ival].

Frankly, any talent sc[out] assessing the Portsmouth ta[lent] for potential recruits, would ha[ve] been hard pressed to come [up] with any sort of recommen[da]tion. The lack of interest si[nce] the whole squad has been [on] offer speaks for itself. But [a] scout's trip to Gillingham [on] Saturday would have be[en] wasted: Gillingham's 18-year-[old] inside-forward, Weatherly, sco[red] a brilliant headed winning g[oal] and his sharpness and pers[ist]ence throughout considera[bly] embarrassed former Liverp[ool] and England back, Lawler, w[ho] often used illegal methods [to] try to check him.

JAMES FRENC[H]

RUGBY — BY PETER ROBBINS

An alarming lack of skill

RICHMOND beat Northampton at Northampton 15-10 in a game which started with enthusiasm but deteriorated into repetitious banality. There was no one on the field who stood out by skill, the only possible exception being Ralston at the line-out. This lack of skill in two leading English clubs was both alarming and depressing.

After Hurley had given Richmond a half-time lead with a penalty, they were briefly led as Raybould converted a try by George. Then Shortland and Mort scored for the visitors with Hurley converting both. George's second try on full time had little relevance.

Northampton's pack was obliterated in every phase of the game, cumbersome round the field and separatist in its efforts.

Lutter and Wright are giants in the second row, but they were ineffectual at the line-out and unable to lock the scrum against a good Richmond push. Phillips had a busy game; but without that extra something to indicate real class. Russell, apart from dropping an easy scoring pass, hinted at higher things. This pair were grossly overworked.

Page passed more than I have ever seen when, ironically, it was his kicking that was needed to save his forwards and test Quinnen.

This mis-reading of the game was strange for so experienced a player, and despite George's efforts to make breaks Northampton's play had a stultifying sameness about it.

It must be said that Richmond defended rather well, even when Raybould came upfield to make the extra man.

At least Raybould attacked. Quinnen stayed back, depriving his side of an extra attacker.

There was evidence of some pre-season thought in Richmond's general play, and particularly in their well-rehearsed moves from penalties.

I think a hard Welsh side will rumble them, but the pack did shove well and together.

Ralston had great success w[ith] his one-handed tapping, giving [a] lesson in timing to Northam[p]ton's young bucks. The pack [as] a unit also showed Northampt[on] the value of organised ruck[ing].

Pearson, the Richmond [fly-]ha[lf], looked a useful player desp[ite] his annoying jersey-pulling. Wi[th] Dickins and Greenwood he ma[de] a competent if unimaginat[ive] back-row.

What variety of play there w[as] came from Philp at scrum-ha[lf]. He played his primary role [as a] link before showing his elusi[ve]ness in the break. More may [be] heard of him, particularly wh[en] Shackleton comes back to le[ad] this side, whose willingness [to] counter-attack partially redeem[ed] the game.

It was unfortunate that on[e] Mort of the backs looked to ha[ve] the modicum of skill essential [to] implement a policy which w[as] forced on them by Northam[p]ton's disastrous attempts at [ten-]man rugby.

RACING — BY DOMINIC WIGAN

Price's autumn hopes fade

RYAN PRICE, whose crack middle distance performer Bruni will try to underline his Prix de l'Arc de Triomphe chance with a victory in Thursday's Cumberland Lodge Stakes at Ascot, saw his principal Autumn Double hopes come badly unstuck at Newbury on Saturday.

Ashbro Laddo, whom he had wanted to see land the Peter Hastings Stakes on the way to a tilt at the Cambridgeshire, never looked like troubling the principals. He will now miss the Irish Hospitals sponsored event. Hard Attack, who may have dislocated a shoulder, will probably be withdrawn also from his long-term objective, the Cesarewitch.

Another who seems sure to miss the stayers' event is John Cherry, the three-quarters of a length runner-up to Shantallah in the SKF prize a year ago.

By winning Saturday's Joe Coral Autumn Cup, in which Hard Attack suffered his injury, the Beckhampton trained John Cherry collected a 6 lb penalty for the Cesarewitch, taking his weight up to 9 st 13 lb—a burden he is unlikely to be asked to shoulder.

LEICESTER
2.45—Balustrade***
3.15—The Fuzz
3.45—Oudalia
4.45—Cryptomeria**

BATH
2. 0—Master Builder
2.30—Regalian
3. 0—Cabin Boy
3.30—Baby Blair
4. 0—Snug*
4.30—Burnished Gold

Edward Hide does not often ride at Leicester. It is interesting to see that he has opted for the Midlands course to-day in preference to Edinburgh, where he has partnered many winners.

The popular Yorkshire-bas[ed] jockey's best chance at Leicest[er] seems to lie with Balustrad[e] among the runners for the Ra[d]cliffe Selling Stakes. This Balid[ar] gelding, who was bought in f[or] 1,300 guineas after scoring [at] Wolverhampton in June, h[as] since accounted for 13 opponen[ts] in Haydock's valuable Motorw[ay] Handicap, in which he ga[ve] Adamio 8 lb and a three-length beating with the remainder w[ell] strung out.

Balustrade ought to have littl[e] trouble in following up again[st] this afternoon's seven modera[te] opponents, the best of whom [is] probably the twice-raced Ro[yal] Haze, the mount of Geoff Lewi[s], who was riding in inspired for[m] at Newbury on Saturday.

Later in the afternoon Crypt[o]meria, a well-bred daughter [of] Crepello, appeals as a soun[d] "getting out" bet in the closi[ng] event, the Filbert Filly's Stake[s].

TV/Radio

† Indicates programme in black and white.

BBC 1

7.05-7.55 a.m. Open University (UHF only). †9.38 For Schools, Colleges. 10.45 You and Me. 11.00 For Schools, Colleges. 12.45 p.m. News. 1.00 Pebble Mill. 1.45 Trumpton. 2.01 For Schools, Colleges. 3.10 Anno Domini. 3.53 Regional News (except London). 3.55 Play School. 4.20 Deputy Dawg. 4.25 Jackanory. 4.40 Blue Peter. 5.05 John Craven's Newsround. 5.15 Potter's Picture Palace. 5.40 News. 5.55 Nationwide. 6.50 Some Mothers Do 'Ave 'Em. 7.20 Angels. 8.10 Panorama. 9.00 News. 9.25 Dirk Bogarde in "Accident." 11.05 Tonight. 11.45 Weather/Regional News.

All Regions as BBC-1 except at the following times:—

Wales—1.45-2.00 p.m. Pili Pala. 2.18-2.38 For Schools. 5.55-6.50 Wales Today. 6.50-7.20 Heddiw. 11.45 News and Weather for Wales.

Scotland—5.55-6.50 p.m. Reporting Scotland. 11.05-11.55 Land's End For Orders. 11.55 News and Weather for Scotland.

Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55-6.50 Scene Around Six. 11.45 News and Weather for Northern Ireland.

England—5.55-6.50 p.m. Look North (from Leeds, Manchester, Newcastle); Midlands To-day (from Birmingham); Look East (from Norwich); Points West (from Bristol); South Today (from Southampton); Spotlight South West (from Plymouth).

BBC 2

6.50-7.55 a.m. Open University. 11.00 Play School. 5.00 p.m. Open University. 7.05 Carry On Learning. 7.25 Weather. 7.30 Newsday. 8.10 The Morecambe and Wise Show. 9.00 I, Claudius. 10.40 One More Time! 11.10 Late News On 2. 11.20 Open Door—Open City. 11.55-12.00 Closedown: Angela Down reads "Emily Writes Such a Good Letter," by Stevie Smith.

LONDON

9.30 a.m. Schools Programmes. 12.00 Issi Noho. 12.10 p.m. Hickory House. 12.30 A Place In Europe: "Belgium: Chateau De Jehay." 1.00 News At One, with Leonard Parkin plus weather. FT index. 1.20 Lunchtime Today. 1.30 The Cedar Tree. 2.00 Good Afternoon. †2.25 Monday Matinee: "Laxdale Hall," starring Ronald Squire. 3.50 Emmerdale Farm. 4.20 Clapperboard. 4.45 The Tomorrow People. 5.15 Batman. 5.45 News. 6.00 Today. 6.45 What's On Next? 7.30 Coronation Street. 8.00 George and Mildred. 8.30 Pilger. 9.00 The Sweeney. 10.00 News. 10.30 The Playwright: Cecil Taylor. 11.00 The National Film Board Of Canada presents "Castleguard Cave." 12.00 Night Gallery. 12.30 a.m. Close: Judith Davies reads from Kahil Gilbran's "The Prophet."

All ITV Regions as London except at the following times:—

ANGLIA

ATV MIDLANDS

BORDER

CHANNEL

GRAMPIAN

GRANADA

HTV

SCOTTISH

SOUTHERN

TYNE TEES

ULSTER

WESTWARD

YORKSHIRE

RADIO 1

RADIO 2

RADIO 3

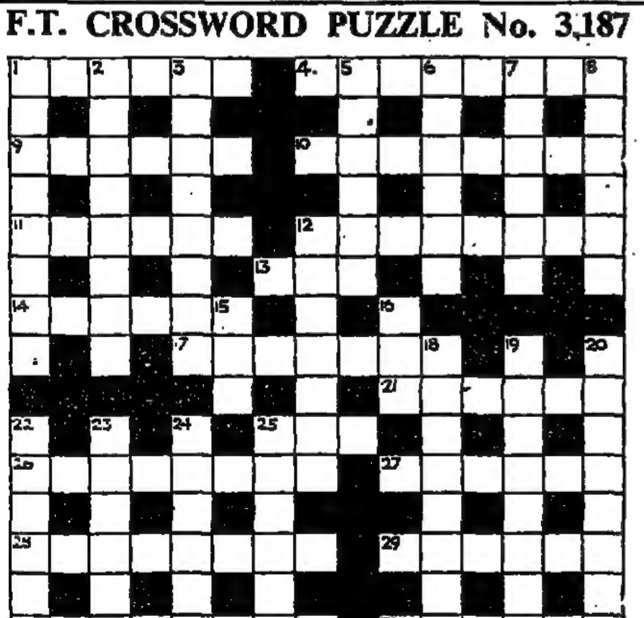
RADIO 4

BBC Radio London

London Broadcasting

Capital Radio

F.T. CROSSWORD PUZZLE No. 3,187



ACROSS

1 Recompense one who fetches ale when he returns (6)
4 Added relish for one mature (8)
9 Something to wear from the Isthmus (6)
10 They give patients the needle (8)
11 Archer first past the post in the boat race (6)
12 Upsetting Daniel, he makes the news (8)
13 and 25 A little fellow from Northants (6)
14 Starting this month a short epistle shows conformity (2, 4)
17 "With his — and shining morning face" (AYL) (7)
21 Most of the time the party returns the musical instrument (6)
23 See 13
26 School song advises action after advertising campaign (6, 2)
27 It is the Bench that makes one pay up (6)
28 Heavenly refreshment for a gunner in a parachute jump (4-4)
29 Red note must include you (6)
30 "And — metal flowed to human form" (Pope) (6)
31 Work in big time Norwegian city (6)

DOWN

1 State of souvenir outside the local (8)
2 Will not bear investigation like a dirty schoolboy (4, 4)
3 Goes berserk with a politician in fits of anger (8)
5 Cathedral city diocese houses a president (6)
6 Chary about the state rumpus (6)
7 Ale and spirit together? What a mug (6)
8 A cleaner, if red, will fly aboard (6)
12 Arch about the enclosure, but keeps the birds in (3-4)
15 If — 3 bed allowed to a friend (6)
18 He has tremendous energy—this may give you a shock (4-4)
19 Supporting the race in a living person (8)
20 A tree feller on the council? (8)
22 A loud note may cause a disturbance (6)
23 Something to set about one with chips (6)
24 Agreed with reference to epicist's slip (6)
25 A Frenchman in the party gets on in Argyll (6)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

tingham Playhouse

Othello

by B. A. YOUNG

nothy West's Iago is so is that it pulls the Notting- Othello out of shape. ally, the production is a ple, straightforward affair simple set by Andrew rs that allows quick and ive scene-changes; it is in- ently and musically spoken l uncommonly rapidly; but aying of the two main parts unusual that we seemed to eing an unfamiliar play.

this play the hero is Iago. a hero in the sense that ffe or Jimmy Porter is a there's nothing admirable him, yet he is certainly entre both of plot and of tion. Mr. West remembers, ber players often do not, Iago was only 28 years old. he makes him young and ul by nature, with a dancing a faceful of winks and which he shares generously the audience, and a way of ing into imitation black talk when he discusses his al with his mates.

ave no doubt that every line is dialogue will bear the pretation he puts on it (and ically, save for occasional ory lapses, the performance yond praise); but unfor- ely the character that ges is not Iago but lycus. Not even David ey's oddly indifferent lo could help seeing what ok he is, however correctly ay stand at attention when talk together.

. Massey's Moor never comes ly into focus. Tall and hand- with wavy grey hair that more appropriate to an lor decorator than a black ral, the descendant of chiefs, nisses altogether the habit ommand. He takes little est in his campaigning. On other hand, neither is he oly loving towards Desde- ; authority and affection have reacted together in his acter and cancelled one her out. The only emotion that is ever liable to flare up at the least touch is a rage so shrill as to contradict the gravity which Othello is able to assume at his conference with the Senate. He makes a physical assault on his Ancient as he challenges him to "prove his love a whore."

The one thing he never is is the comedy Negro that this Iago mocks. He carries out his final suicide most ingeniously but improbably by stabbing himself with the spike on which the big bedroom candle had been impaled: "Put out the light" once more. Need he, though, have had to pick the whole caboodle? Could not the top have come off? Paul Jones's Cassio is from another world, a decent young officer from a good Florentine public school who could have commanded a platoon in the trenches until a shell got him, but is clearly going to find it hard to put on the mantle of His Excellency the Governor of Cyprus.

Just as Iago outplays Othello, Emilia outplays Desdemona. Alison Steadman makes "our great captain's captain" a very tough young woman, rightly to my mind, and her subsequent tears are all the more moving. She puts up a pretty good fight for her life in the bedroom, too. But she is not an interesting individual, just one of the year's Venetian debs. I think the director should have given her something to do as she sing's her willow song: she takes it almost as if it were a recital item, and Emilia has to wait until it's over.

This Emilia, by Bridget Turner, is chockfull of personality: a character that can be felt even in her comparatively subdued early scenes, and flowers into something really special in the last act.

The director is Richard Eyre, not quite as imaginative as usual but still able to hold the attention, by fair means or foul.

Daniel Massey and Timothy West

stival Hall

Ted Heath Band

by KEVIN HENRIQUES

nce Ted Heath's death in there have been several mpts under various promo- al banners to present his ner musicians in the type of rtaining, always satisfyingly ical, concerts which his band for close on 20 years. The st was on Saturday evening er the apparently official rimatur of the Ted Heath te with his widow present indeed presented to the ience.

omprising, as have its pre- essors, mainly musicians who tally played with the Heath d, this one was firmly led n the front by trombonist Lusher who also acted as rmative but ungarrulous pere. Almost all the 17 sicians behind him are now essful session players who ly play this type of concert. they are so experienced they ned a cohesive unit which nded as if it played together en nights a week.

ne Heath band's reputation precise section work has not ined an iota and those cted for the comparatively t jazz solos — Bob Efford, Willox, Duncan Campbell, ry McKenzie and Don Lusher self (what an immaculate er!)—did so with predictable l.

ome of the band's Hit Parade esses were briefly recalled. e was the customary sprinkling of showmanship and humour plus vocal contributions from Dennis Lotis and Lita Roza whose four torchy, distingué songs were delivered with a projection and intensity which put her in a class of her own among the few British singers of this genre.

Significantly most of the band numbers were from the post-Heath years, a change in policy compared with previous concerts of this nature. Whether this is a positive or enlightened view is debatable for the younger element was in evidence on Saturday and it might have been commercially expedient to play a couple of contemporary numbers in a big band format.

However, what made this Heath band concert memorable was the long overdue revival of several arrangements for the band which have been sadly neglected. Such notable writing as Kenny Graham's *Beaulieu Suite*, which deserves more than the one movement played on Saturday, the Basie feel of Stan Tracey's "Baby Blue" and that Sy Oliver feature for the Tommy Dorsey band "Well Get It!". There are many other rarely-heard items in the band's large repertoire and these occasional concerts (there is another at Croydon on November 9) are the only chances the numerous Heath devotees have of hearing them "live."

Glasgow University

Musica Nova by DOMINIC GILL

All last week in Glasgow, the enterprising Musica Nova series—a biennial festival now in its third season, organised jointly by Glasgow University and the Scottish National Orchestra—has been presenting a programme of recitals, concerts and open rehearsals of new music in and around the city. An important part of the festival has also been a week-long series of seminars, lectures and forum discussions for young composition students, attended and directed by four guest composers, Harrison Birtwistle, Morton Feldman, George Newson and David Dorward.

The climax of Musica Nova's programme was a concert on Saturday evening which offered the world premieres of four new works by each of these composers, specially commissioned for the occasion. Of the four, *Melencolia I* by Harrison Birtwistle was perhaps the most substantial — certainly the strangest and most magical, the work which left behind it the most subtle and complex reverberation. The title refers to an engraving by Dürer of the same name, and to a book by Günter Grass. The music is scored for solo clarinet, with a pair of harps and double string orchestra. The structure is essentially very simple: a long clarinet melody, stretched, spun out almost to breaking point, joined in conversation and embroidered in vivid primary colours by harps and antiphonal strings.

But the effect is complex: a simple gesture which gives life to all manner of dark shadows, strange mirrors and correspondences. Almost to breaking point: though it is actually broken several times, the clarinet line is seemingly unbroken, intact to the last. Even when it is silenced, interrupted in the final measure by four, tremendous, crushingly dissonant fortissimo harp attacks, in the mind's ear, it rises again, triumphant.

It is a strange and beautiful piece: tough, austere in its organisation, paradoxically gentle in manner, full of gentle threads of fire, as well as one or two moments of high drama — shrill cries from the divided strings that greet the first unfolding of the melody; strident calls from the clarinet, *vox humanae*, soothed by a string caress; a sudden, luminous widening of string texture that vanishes into a brief ostinato repetition of a single chord by the harps, softly insistent: There is hardly any recourse to "avant-garde" techniques: the very restraint of the writing emphasised its virtuosity—as well as underlining the virtuosity of the performance itself, impassioned, marvellously controlled, by the clarinettist Alan Hacker.

The Entertainment Guide is on Page 38

George Newson's *To the Edge of Doom* for full orchestra, slightly shorter than the Birtwistle less cohesive, sharp-edged and pungent in impact, was an exceptionally attractive piece nonetheless. I liked its effective use of a big, swirling orchestral palette, articulated with simple, incisive rhythms, lush but never extravagent; its bittersweet romantic colouring—*Klangfarbenmusik* with an acrid *Stravinskian perfume*; and in spite of some moments of awkward shaping, of marginally indecisive direction generally its rather beautiful, sombre, amorous mood. An orchestral essay of concentration and character: it was the greatest surprise indeed at the end of the first half to discover that either piece had lasted as long as it did—the Newson 20 minutes and the Birtwistle nearly half an hour.

The performances of both, by the SNO under Alexander Gibson, were models of sympathy and clarity. Elgar Howarth took over the direction of the orchestra from Gibson for the Feldman and the Dorward with the same crispness and energy. Feldman's *Orchestra*: a very jewelled piece, a pretty string of *piano* and *mezzoforte* pearls, sprinkled with some glittering *forte* sparks—an elegant conversation piece in music, easy to warm to, impossible to dislike, though its very lack of focus, in the context of the Birtwistle and the Newson, seemed both an essential character, and therefore a virtue, and a weakness, a kind of unfulfilment.

David Dorward's piano concerto, valiantly played by Ronald Stevenson, turned out to be an extraordinary, rambling gallimaufry of concerto manners, good and bad, recognisable and unrecognisable, of no consequence whatever that I was able to discern. After 40 minutes, the composer notes, "the piano ceases (like life itself) rather suddenly, but not unexpectedly." I found the cessation wholly unexpected: music like this can go on all night.

Sadler's Wells Theatre

Sandrina's Secret

This new addition to the English Music Theatre Company's creditable repertory is Mozart's comic opera *La finta giardiniera*, in an English version by Edmund Tracey. Though the British record for the performance of Mozart's operas gives no cause for shame, this one has been unaccountably neglected. There was a fringe performance in London not so long ago, but the work deserves to be more widely known and enjoyed. Mozart wrote it for Munich, where is was given in 1775—the period of the A major Symphony and the Violin Concertos, six years before *Idomeneo*. He wrote it to an Italian text, but made a German version (*Die gärtnerin aus Liebe*), with spoken dialogue instead of secco recitatives, at an early stage.

For this reason, and because Mozart's own recitatives for the first act are lost, the EMTC is right to have used dialogue. Mr. Tracey's version runs fluently and makes the plot clear. I find that the occasional Cowardisms jar, but the audience liked them. The Marchesa Violante Onesti has been wounded by her suitor, Count Belfiore. Whether the wound was mainly to her person or her pride is not terribly important, but it drives her to follow Belfiore, with revenge, capitulation, or both in mind. She disguises herself as Sandrina, a garden-maid, and, with her faithful servant Roberto disguised as Nardo, a garden-boy, enters the service of the Mayor of a local town.

In the resulting imbroglio, the Mayor falls for Sandrina, to the disgust of his ambitious maid Serpetta, who herself attracts the eye of Nardo. Belfiore meanwhile has got engaged to the Mayor's niece, Arminda, a rich young lady out for title and position. On the edge of the action is Ramiro, in love with Arminda, a breeches part more interestingly portrayed in the music than in the text. In the end, after a second act finale in a dark forest, in the course of which everyone mistakes the nearest person of the opposite sex for the one he or she is after, the couples are sorted out, and only the Mayor is left unpaired.

There is a streak of pain, of cruelty, of near-hysteria. Both Sandrina and Belfiore go mad or feign madness, and Nardo follows suit, if only to jerk them back to sanity. Or does one only see this dark side of the text because of that extra dimension in Mozart's music, already abundantly present, which makes conventional theatrical situations at once strangely ambivalent and entirely real? At any rate, this aspect is, I think, too much played down in Colin Graham and Graham Vick's joint direction—I have known it come through more strongly in productions abroad on a lower level of general accomplishment.

Most of all one misses the black comedy in the finale already mentioned—a scene that in more ways than one anticipates *Figaro*. Here Bruno Santini's simple, elegant topiary set (how good to have a company with a recognisable house style) fails to suggest the "horrible" wildness that may be quite artificial but must be there. So the first-act finale, another remarkable piece, came out on Saturday evening as the stronger of the two. Reference to finales indicates that *La finta giardiniera* reveals Mozart very nearly fully-fledged as an opera composer. In fact, reservations concern not the ensembles but some of the arias—he hadn't yet learnt to make them as short and dramatically telling as they became in the later operas.

They are not easy to sing. Francis Egerton as the Mayor (this instrumental simile-aria holds up the action, but is vastly entertaining) and Stuart Harling (a Figaro in embryo) as Nardo were the only ones in this cast who appeared fully equipped for their music. Nan Christie as Violante-Sandrina and Bernard Dickerson as Belfiore are both stylish, pleasing performers but neither carries the vocal guns for these roles. Ann Murray as Ramiro sang tightly for two acts but found her form in the third (I suspect that Mozart identified with Ramiro role—considering that his beloved Arminda is a largely superficial character, the fact is psychologically interesting). The Arminda and Serpetta of Janet Gail and Meryl Drower were agreeably acted but too lightly voiced.

In 1775 Mozart's experience of the Mannheim orchestra (for which, when it had been transported to Munich, he was to write *Idomeneo*) still lay in the future. Yet he could already score divinely for a small band sparingly used. Steuart Bedford, conductor of this revival, found the nerve of the music in things like the extraordinary, bubbling accompaniment to the Mayor's Act 3 aria, but missed some of the wildness—the wailing solo bassoon in Sandrina's frantic cavatina (one of the succession of linked arias that precedes the Act 2 finale) was inaudible from my seat. The sonority was thin: for golden moments like the introduction to Violante's and Belfiore's duet of reconciliation, a small handful of English strings will hardly do. Yet as *Sandrina's Secret* or anything else, it is good to have *La finta giardiniera* at last. Judging by the friendly reception, the garden-maid should finally establish herself in this garden-mad country.

RONALD CRICHTON

Elizabeth Hall

The Fires of London

The admired group of musicians directed by the composer Peter Maxwell Davies is off on a five-week coast-to-coast tour of U.S. and Canada, presenting a bicentennial programme of works by Elliott Carter and the director himself. A preview at the Elizabeth Hall on Friday included the first performance of his new *Ancient Greek Songs* or *Anakreontics* (leaflet and programme disagree about the title and the score is not yet available) and the first in London of two pieces for solo viola and flute respectively. Carter was represented by his Cello Sonata, the Sonata for Flute, Oboe, Cello and Harpsichord, and four of the Pieces for Four Timpani. There was a good house, if not a full one: the group has an enthusiastic folowing, and rightly so.

The Greek songs are our old, invaluable, undying friend Hellenistic pastoral in modern dress, the world of Bliss's *Lie strewn the white flocks* heard through ears two generations younger. They are set for soprano, alto flute, cello, harpsichord and soft percussion. The vocal writing is extremely varied, with (in the first song) strange, quick, detached notes rather like a violin playing *spiccato*; gurgling, clicking, whirring imitations of a nightjar in the third; and elsewhere expressive sustained, lyrical lines of a more traditional kind. All the styles, including the legato one, were managed with the utmost skill by Mary Thomas, in excellent voice. I look forward to hearing the songs again.

The virtuoso solo pieces, both called after poems by the Orkney writer, George Mackay Brown (*The Door of the Sun* for viola, *The Kestrel paced round the Sun* for flute), are made up of short, contrasted sections in which the meditative music is the most immediately pleasing. Judith Pearce and Duncan Druce were the skilful players. The Carter works (for which Robin Miller joined the group as an oboist) oddly enough seemed to lie nearer the main European tradition that Maxwell Davies, sounding wonderfully quick-witted yet ultra-sensitive. Provided that you can, as Carter has done, go further on, the disciplines of neo-classicism are a strength. Jennifer Ward Clarke and Stephen Pruslin played the Cello Sonata with an intelligence and delicate balance which made up for a certain absence of bite and pungency in the cello tone.

RONALD CRICHTON

New Victoria

Bay City Rollers

by ANTONY THORNCROFT

As hysterical girls were bundled along a conveyor belt of heavies from Be Friendly Security towards the exit hatch, and stretcher men picked their way through the remnants of tipped-up chairs with their sobbing burdens, the compere tried again. "I want the first seven rows to say after me 'I promise to stay in my seat.'" At last they were word perfect and the final Bay City Rollers concert of the tour cranked into what passed for life again.

Since the musical content of a Rollers' concert is imperceptible there is plenty of time to enjoy the general mayhem. And the mayhem last night was mighty, so mighty that the Rollers were twice called off stage while some sort of truce could be patched up between the scores of bouncers and the besotted fans who seem to have lost none of their enthusiasm for the group while the Rollers have been away (and I quote the compere) "conquering Japan, Australia and Europe."

They rushed the stage like dervishes, throwing bears, balls, bouquets and themselves at the five Scots lads, but only one made the orchestra pit and she was soon hauled away to oblivion. In the crush there was a shattering of seats and great bare patches began to appear in the stalls eventually the screaming for Eric or Woody or Les—the Rollers have been band-picked to appeal to five different species of 14-year-old girls — subsided into quiet hysteria and the show ran its brief course while the fans slumped exhausted, tears messing their mascara, their voices reduced to small shrieks.

In the end the squads of police had an easy evening, and the top brass were quite safe in bringing their wives along to watch the show from the wings. The sad thing is that the happenings on stage were so dull. The Rollers need not be good musicians but at least they ought to have some style, and if they have neither ability nor style some kind of theatrical act should be manufactured for them. Except for a bit of smoke and a sign flashing the word "Alive" (in itself a gross over-statement) a Bay City Rollers' performance is strictly for the teenage imagination.

And while a couple of the Rollers are quite pretty the only obvious explanation for their extraordinary success is that they look just like the kind of boy their fans will be dating next year. It will not, of course, last much longer, but with their tax problems, the Rollers can scarcely care, and judging by the tearful inquest after the battle the girls reckon the event had been worthwhile. And it was an evening for the emotions rather than for logic, although it might have been a bit more logical for the management of the New Victoria, or what now remains of it, not to convert all the gentlemen's lavatories into "Ladies only."

urcell Room

Medieval Ensemble of London

. concert devoted entirely to nch secular music from the rs 1380 to 1420 would have n impossible a few years ago. ugh Gilbert Reaney and li Apel had done pioneer- work on the period (for so g regarded as a limbo ween the death of Machaut l the emergence of Dufay), el's transcriptions did not pear in full until 1972, and y then was it possible to vey in detail the musical elopment so brilliantly sum- rised and presented in this cert by the Medieval semble of London.

The summary was so apt ause it fitted the form of the ncert so well: from the iliar complexities of the post- chaut period, we were led vards the astonishing experi- nts of the turn of the century hich provided a climax to the ncert's first half), and then on the lively, simpler textures of pre-Dufay years (which pro- led a light close to the ening).

There were no concessions to ular notions of medieval isic in the presentation: no nstantly varied instrumental lour, no outrageous old instru- nts. The three-part ballades l rondeaux were played simply a string instrument (Robert oper), a plucked instrument mothy Davies), and a wind strument (Peter Davies, producing a soft and subtle sound from a variety of flutes), with the last often doubling the voice part. For once we could concentrate on the music.

And what superb music it was in these persuasive performances! Easiest to appreciate were the final group: the cheerfully simple rondeaux of Lebertoul and Malbeque, in which Timothy Penrose's clear, resonant countertenor came into its own. But most gripping were the extraordinary inventions of Anthonello de Caserta (an Italian who may have worked for the anti-Popes in Avignon)—he seems to have done for the ballade what James Joyce did for the sentence, fragmenting his music rhythmically and harmonically. It says a great deal for the expressive clarity of John Elwes' tenor voice that this music convinced completely even at the fast speeds chosen.

Finest of all, though, was the music of Solage, who brings the *Tres Riches Heures* of the Duc de Berry (for whom he worked) to life in his songs about the perfumed garden of love, the deadliness of the basilisk, and the valour of his Duke. This last ballade "S'aincy estoit" brought a superbly virtuosic performance from Elwes and the ensemble: the perfect marriage of musicology and music, and as such a pointer to a whole new direction for the "early music" movement.

NICHOLAS KENYON

Second Stephen Arlen Bursary

The winner of the Stephen Arlen Bursary for 1976 is Philip C. Engel who gains an award of £700 which will help him to undertake the Concert Examination for conductors at the Hamburg Musikhochschule in 1977.

The Stephen Arlen Bursary was established in 1975 and is awarded periodically for the further artistic development of someone between 20 and 30, resident in the U.K. and following a career in any branch of opera, music, drama or ballet. It is given to the person who submits the most imaginative programme of further study.

Yevtushenko to give recital

Yevgeni Yevtushenko will give a recital of his poems at the Festival Hall on Wednesday, September 22 at 8 p.m. Ian McKellen will also recite poems in English and translations of Yevtushenko's poetry.

The programme includes works by Shakespeare, Pushkin, Burns, Pasternak and Mayakovsky. Yevtushenko will include his famous poem "Babi Yar," the cry against Russian anti-Semitism, written after the poet visited the then neglected site of the Jewish massacre near Kiev.

WORLD TRADE NEWS

Boeing sees faster rise in world aircraft sales

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

Further orders worth over $200m. (about £120m.) have been announced in the past week by Boeing of the U.S. the world's biggest jet builder, which reports a quickening rate of new aircraft sales world-wide.

American Airlines, which bought six medium-range Boeing 727s in August, has ordered ten more, worth $111m., for delivery in late 1977 and early 1978. This brings American's jet orders from Boeing to 280 aircraft, worth $1.74bn.

Scandinavian Airlines System has placed a $45m. order for a Boeing 747B "combi" passenger/cargo jet, and has taken an option on a second. Singapore Airlines has ordered its sixth 747B, for delivery next August, also worth $45m.

These new Jumbo jet orders bring total 747 orders to 312 aircraft, of which 288 have been delivered to 40 customers.

Boeing says that the pace at which the world's airlines are now placing orders is quickening, reflecting both sustained strong international traffic and rebounding U.S. domestic travel.

Boeing says that its jet sales between January 1 and August 15 amounted to 98 aircraft, compared with 83 in the same period of last year.

Many of these, 61, were for the 727 medium-range jet, of which 1,305 have been sold to date, making it the world's best selling jet airliner.

Boeing is still forecasting a steady improvement in the world's civil airline business in the years ahead, with an average annual growth of about 8 per cent.

It sees a market between 1976 and 1985 worth $48bn. for jet airliners of all kinds, of which about $30bn. will be in the short to medium-range market.

Far East chemicals pact

BY OUR OWN CORRESPONDENT SINGAPORE, Sept. 19.

THE SINGAPORE Government and Sumitomo Chemical of Japan have jointly stated that their S$5.2bn. joint venture petrochemical project is viable and that they have agreed to proceed with the project as planned for completion in 1980 or 1981.

The statement said indications are that there will be adequate demand for products from the complex. The world recession resulted in a decline in world petrochemical markets last year but with economic recovery, demand had been steadily increasing.

Refineries in Singapore, according to the statement, have given their assurances of feedstock supply and this has provided the basis for detailed technical and economic feasibility studies which have now been completed. The studies, it said, confirmed that plant and operation costs in Singapore will be internationally competitive.

Talking money in Tokyo

BY DOUGLAS RAMSEY TOKYO, Sept. 19.

JAPAN will extend more than $2bn. in credit to Brazil in the next three years to get several major joint projects off the ground.

Last night Ministers from both countries signed a joint communique which, while not disclosing details of all the projects to be undertaken, commits Japan to providing hefty suport for Japanese companies who plan to invest some $700m. in the ventures. In return Japan has been promised a substantial (though vague) portion of the joint projects' output.

The communique was signed midway through the official visit of Brazil's President Ernesto Geisel to Japan and the official ceremonies bringing the visit to a close tomorrow will surely seem anticlimatic.

But then from the start General Geisel's visit looked as little like a State visit as allowable. He brought along all his top economic advisors and was in Tokyo to talk money above all. The Japanese could not be happier.

The visit is expected to put an end to the lull of Japan's investment in Latin America caused by the recession. In fiscal 1975, investment in the region amounted to $371m., or 11 per cent. of total Japanese investment abroad, and well behind the $905m. put into North America or $1.1bn. invested in Asia that year. Only the year before, Latin America represented Japan's number two spot for investing (30 per cent. of total, just below Asia's share).

It is fair to say, though, that Japanese companies will devote most of their energies to developing projects in three of the largest, richest countries—Brasil, Venezuela and Mexico—and the Japanese government is not discouraging that pattern.

In January Japan bought off many of the smaller countries quite simply by providing some $18m. in finance to the Inter-American Development Bank for parcelling out to the neediest.

General Geisel went to Tokyo for commercial more than State reasons, with success . . .

The Finance Ministry, for instance, is now examining an application by six Japanese banks who want to put up $50m. towards an international syndicate loan of $1bn. to Venezuela. It will help finance that country's $53bn. five-year development plan.

In the past three months Japan's Eximbank, together with commercial banks, has stepped up lending to Mexico, in particular with a $300m. credit for Japanese sales of steel-making equipment for the Sicartsa steel project. Mexico was also allowed to soak up Y10bn. in Tokyo with an issue of 10-year development bonds.

Nowhere, though, are Japanese sights more fixed than on the booming Brazilian economy. In recent months, Fuji Electric has gone into a joint venture to produce electronic control panels in Minas Gerais. Sharp, another electrical producer, will start up a subsidiary factory in April next year making components.

Kawasaki Steel has taken a 49 per cent. stake in the $102m. Capanema iron ore complex which will produce 11m. tons a year from 1980. Kawasaki, again, will hold 24.5 per cent. (the same as Italy's Finsider) in the gigantic Tubarao steelmaking complex, to cost about $2bn., with the majority share held by the State-owned Siderbras.

Ishikawajima with its Brazilian subsidiary, will take a 32.6 per cent. stake in the hitherto State-owned Empresa Brasiliera de Reparos Navais. This investment boom (which is by no means exhaustive) was rounded out in mid-summer with Eximbank credits worth $350m. to two steel companies for purchases of Japanese machinery and equipment.

Companies have been negotiating for months, even years, over the projects given the official nod by the Brazilian and Japanese Governments in yesterday's communique.

By far the biggest undertaking will be the Albras alumina and aluminium project.

Japan will help finance the $1.35bn. smelter and $880m. alumina plant at Belem in northern Brazil. Japanese companies grouped in the light metal smelters association will hold 49 per cent. of the project equity, the rest going to CVRD, the State-controlled Brazilian Mining Corporation.

The project will start up in 1977, and the communique affirms that "a substantial part of the annual aluminium production (320,000 tons capacity) will be exported to Japan on a long-term, stable basis as previously agreed (by the companies last January)."

No final agreement was reached on joint development of the Cerrados agricultural project, but Ministers welcomed the prospect that "an arrangement concerning the Cerrado project would be signed in the immediate future." Japanese interests are rumoured to be willing to put up $13m. towards the project in return for future deliveries of the soyabeans and maize which will be grown.

The Brazilian side, moreover, got Japan to agree to provide financial as well as technical assistance for the Praia Mole port construction project. All the credit assistance, however, will be in trade credits for the purchase of Japanese port equipment.

OFFSHORE NOTES

Bright outlook for British exporters

BY RAY DAFTER, ENERGY CORRESPONDENT

BRITAIN and Norway are about to start formulating plans for a united export drive into the world offshore oil and gas markets.

The two Governments plan to help their offshore supply industries, primarily established to serve the North Sea venture, collaborate on work in countries overseas.

Serious discussions are about to begin, one of the first reactions to the recent agreement on co-operation reached by Mr. Anthony Wedgwood Benn, Energy Secretary, and Mr. Bjarsmar Gjerde, the Norwegian Minister for Industry.

Co-operation between the U.K. and Norwegian industries is one way in which each of the offshore industries can gain a greater foothold in the worldwide market, currently dominated by U.S. groups. Estimates of the Department of Energy's Offshore Supplies Office suggest that the world market could be worth between £5bn. and £6bn. a year.

There are already moves on the part of the Norwegian builders of the Condeep concrete production platform to establish some form of joint operation in the U.K. The builders, led by Norwegian Contractors, have granted Mowlem Taywood Offshore a licence to build Condeep-type structures in Britain.

Mowlem-Taywood said that ties with Heyer-Ellefsen and Aker, the principle Condeep fabricators, had been strengthend in recent months.

"The prospects of building Condeeps in the U.K. are very good," commented Mowlem Taywood.

The U.K. group confirmed that it had discussed with the Offshore Supplies Office the possible use of the state-owned Scottish platform construction yard at Portavadie. "This remains a possibility for the future," it said.

Co-operation agreements between Britain and Norway will probably lead to a bid for major offshore contracts (such as the development of a new oil field) in which the technology and hardware of each country could be used.

As such, the joint arrangements can be deemed as a second line of attack on foreign markets.

Both U.K. and Norwegian companies are seeking more export work in their own right.

To this end the offshore industries, and Britain's OSO in particularly, have been exploring possible markets in Eastern Europe, South East Asia, China, India and South America.

The export drive is exemplified by the visit by Dr. Dickson Mabon, Energy Minister of State, and OSO representatives, to Brazil and Venezuela. British Petroleum has announced it is becoming more involved in onshore and offshore activities in Egypt and Vietnam respectively.

Garnet Offshore Petroleum Services, a U.K. group, has won a £5.5m. contract to rehabilitate the Egyptian Belayim Field, some 90 miles south of Suez, and BP technology, proved successfully in the development of the North Sea Forties Field, is to be used in Russia.

Furthermore, it seems likely that an Indian delegation will shortly visit Britain to investigate the way in which the U.K. offshore industry might help in the development of Bombay High oil finds.

● David White writes from Brasilia: The large-scale use of British deep-sea oil technology in Brazil seems virtually assured following the visit of Dr. Mabon, and a team of Government experts.

After talks with officials of the Brazilian Ministry of Mines and Energy and the State-controlled oil group Petrobras, Dr. Mabon said the two countries aimed to set up joint ventures in Brazil to build exploration platforms and to train local personnel.

The outright sale of British-built platforms is ruled out both because of transport difficulties and because of Brazil's policy of securing partners for local production facilities. Further talks are due to take place between Petrobras and BNOC.

He added that talks between Petrobras and British Petroleum, which seems likely to become the first foreign company to finalise an exploration contract with Brazil, were nearing completion, and that some changes had been secured in the tough terms offered by the Brazilians in their original draft agreement.

Contracts

● Hong Kong Mass Transit Railway has awarded the contract for design and construction of the railway's overhead current collection system to AEG-Telefunken and Siemens. The system will comprise 47 kilometres of overhead power lines. The value of the contract has not been disclosed.

● Olympic Airways, the State-owned Greek carrier, is considering an offer by Short Brothers and Harland of Belfast for the SD3-30, their new 30-seater airliner especially designed for commuter type operation. Olympic Aviation, an offshoot of Olympic Airways, already uses the 18-seater Skyvan, also manufactured by Short Brothers, on domestic routes.

● Datasaab-Valmet, a Finnish company owned jointly by Valmet and the computer subsidiary of the Swedish Saab-Scania group, has just delivered a mobile currency exchange office to the Soviet Union for testing, with an eye to use during the 1980 Olympic Games in Moscow. The office, housed in a caravan, is fitted with a Datasaab D5 mini-computer and terminals for four work stations. The company anticipates further orders from the Russians, who are apparently thinking of installing more offices at airports and railway terminals.

● Fried Krupp's Polysius group subsidiary has a DM125m. order to supply a clinker production plant at the Slite cement works in Sweden for Cementa, the main part of the order relates to a 4,700 tonnes per day rotary kiln. When the new plant goes into operation in 1979, overall annual cement capacity at Slite will rise by 1.4m. tonnes to 2.1m.

● Hughes Tool has secured a £12m. order to supply rock bits to Sonatrach-Direction des Travaux Petroliers, the national oil company of Algeria. The bulk of the equipment will be manufactured at the Company's Belfast plant. Shipment of rock bits will start immediately and continue until the end of next year.

● Israel Aircraft Industries have sold all the 17 Westwind executive jets which it will produce till the beginning of 1977. As a result of satisfactory sales in the U.S. monthly production will be stepped up from two to three aircraft of this type.

German motor sales fall

FLENSBURG, Sept. 19.

WEST GERMAN motor vehicle registrations fell 24.7 per cent. to 139,712 units in August from July, but were 2.8 per cent. above registrations in August last year, the Federal Motor Office said. The figures include motor-cycle and bus registrations.

Car registrations alone fell 25.1 per cent. to 121,828 from the previous month, but were above the 119,604 units in August last year.

Motor registrations in the first eight months of this year totalled 1.80m. units, 14 per cent. more than in the same year ago period. Within this figure car registrations rose 12.6 per cent. to 1.60m. units.

Meanwhile, Italian car production rose to 152,237 units in July, 6.3 per cent. above July, 1975, levels and 18.8 per cent. above June, 1976. The National Automobile Industry Association noted that there were fewer working days in June than in July because of public holidays.

Car exports rose 21 per cent. on July, 1975, levels to 73,113 units. For the first seven months exports accounted for 48.1 per cent. of production.
Reuter

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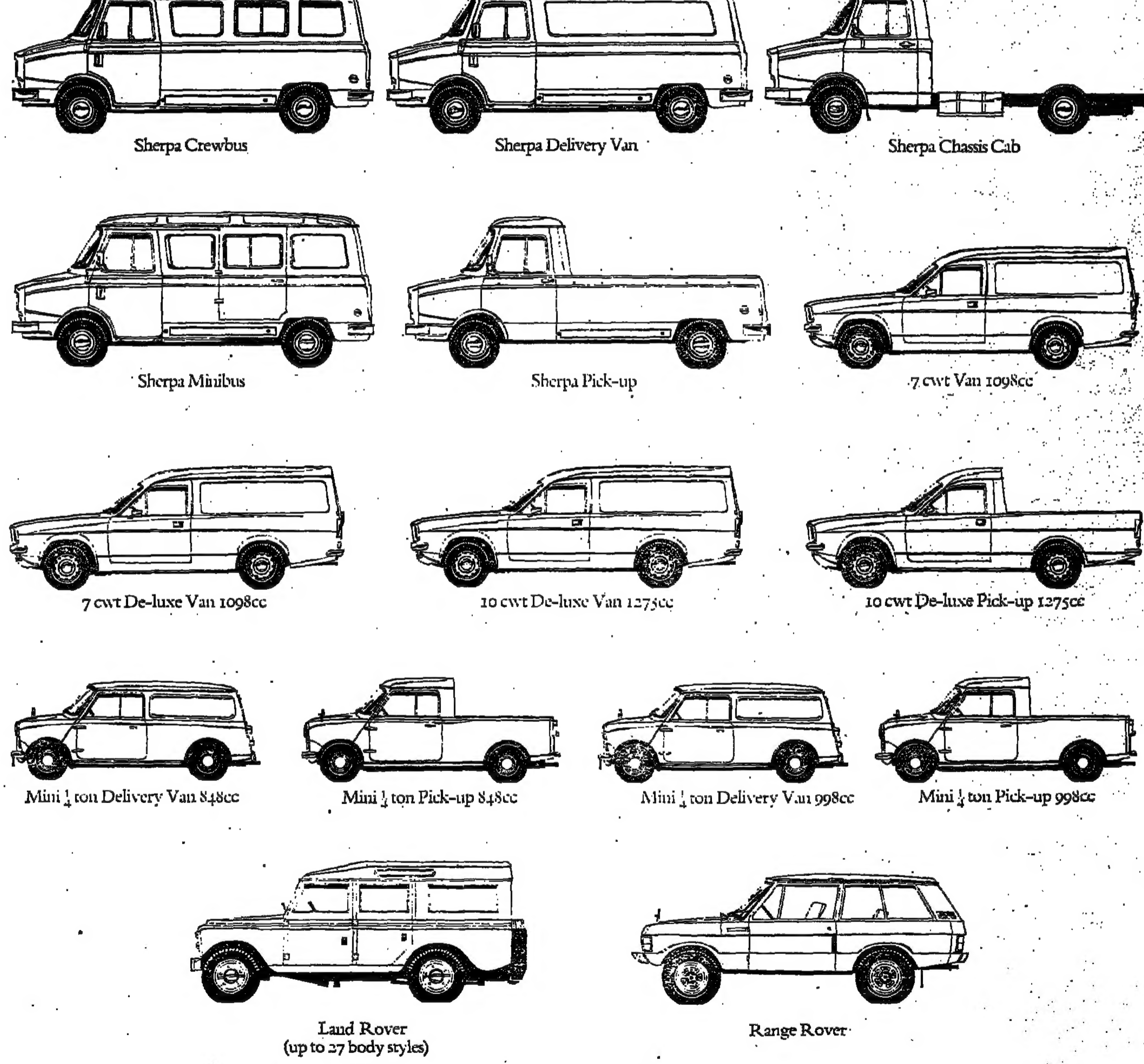
World Economic Indicators

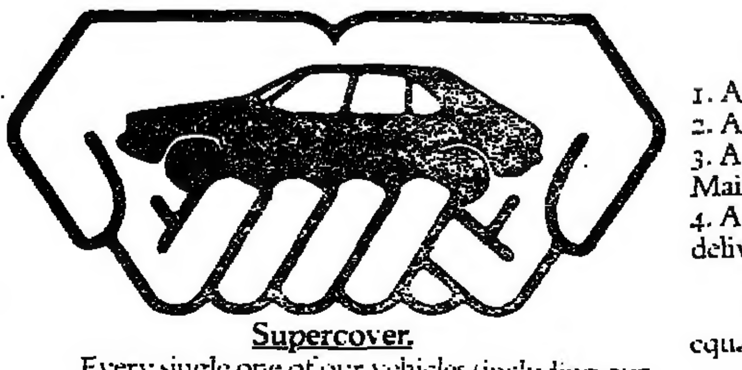
TRADE STATISTICS

		Aug. '76	July '76	June '76	Aug. '75
U.K. £bn.	Exports	2.040	1.955	2.061	1.491
	Imports	2.331	2.482	2.412	1.876
	Balance	−0.291	−0.527	−0.351	−0.385
France Frs.bn.	Exports	17.411	23.745	24.410	13.383
	Imports	20.143	23.428	24.137	13.106
	Balance	−2.732	+0.317	+0.273	+0.277
		July '76	June '76	May '76	July '75
U.S. $bn.	Exports	10.022	9.716	9.578	8.871
	Imports	10.849	10.093	9.182	7.831
	Balance	−0.827	−0.377	+0.395	+1.039
West Germany DMbn.	Exports	21.332	20.706	21.317	19.056
	Imports	18.739	18.556	18.032	15.339
	Balance	+2.593	+2.200	+3.285	+3.717
*Holland Fls.bn.	Exports	7.224	7.412	7.260	5.775
	Imports	7.314	7.641	7.184	5.751
	Balance	−0.090	−0.229	+0.076	+0.024
Italy Lire bn.	Exports	2.988	2.535	2.737	2.110
	Imports	2.883	3.014	3.246	2.096
	Balance	+0.105	−0.479	−0.509	+0.014
Japan $bn.	Exports	5.780	5.618	5.213	4.704
	Imports	4.780	4.643	4.553	4.160
	Balance	+1.000	+0.975	+0.660	+0.544
		May '76	Apr. '76	Mar. '76	May '75
*Belgium B.Frs.bn.	Exports	103.821	112.204	111.838	83.062
	Imports	108.579	114.645	112.174	88.487
	Balance	−4.758	−2.441	−0.336	−5.425

* Excludes trade between Holland, Belgium and Luxembourg.



Sherpa Crewbus
Sherpa Delivery Van
Sherpa Chassis Cab
Sherpa Minibus
Sherpa Pick-up
7 cwt Van 1098cc
7 cwt De-luxe Van 1098cc
10 cwt De-luxe Van 1275cc
10 cwt De-luxe Pick-up 1275cc
Mini ¼ ton Delivery Van 848cc
Mini ¼ ton Pick-up 848cc
Mini ¼ ton Delivery Van 998cc
Mini ¼ ton Pick-up 998cc
Land Rover (up to 27 body styles)
Range Rover



هكذا من الأصل

Spanish parties reject government reform plans

BY ROGER MATTHEWS MADRID, Sept. 19.

A LARGE number of Spanish opposition parties have now formally rejected the plan for constitutional reform announced by the Government just over a week ago.

In a statement, issued this week-end the Democratic Co-ordination which brings together Socialists, Left-wing Christian Democrats, Communists, some Social Democrats and various regional groups, repeated its demand for immediate democratic liberties followed by elections to the constituent assembly which would be charged with deciding the country's constitutional framework.

In what has become a depressingly familiar war of words between Government and opposition, the parties stressed again that the dual political and economic crisis could only find a solution through the immediate involvement of all Spaniards.

The statement added that despite the Government's recent contacts with opposition parties, it had not paid any attention to their wishes. The talks had just been a Government device to suggest that there had been negotiations and the reform plan was the end result. There had not been any negotiations, said the statement.

Ironically the present Cortes, the Parliamentary-style body which always approved everything that General Franco had previously decided, is being given full opportunity to debate the constitutional proposals and is confidently expected to make amendments. The Government seems to have decided against imposing any form of guillotine on the discussions so the Cortes' deputies are likely to take their time.

A two-thirds majority is needed to approve proposals.

Significantly, very senior military sources have let it be known in the past two days that the recent meeting between armed forces commanders and Prime Minister Adolfo Suarez was merely an exchange of views and did not amount to military backing for the reforms.

This almost official military statement will encourage the most conservative elements in the Cortes to remove or amend items in the constitutional proposals which they fear might offer an advantage to those opposition parties who decide to participate in the general elections scheduled in eight months' time.

The Union of the Spanish People, the ultra-conservative political party headed until a few months ago by the present Prime Minister, commented yesterday that the reforms merely "presented a basis for debate" in the Cortes and strongly defended the legality of General Franco's institutional bodies, admitting only that they might be "perfected." In this it even included the National Movement, the only political organisation permitted under General Franco.

Meanwhile, the chances of an economic recovery are threatened by further outbreaks of labour unrest. There is a call for another general strike in the Basque provinces on September 27, to back demands for a full political amnesty, postmen in Madrid and Barcelona have begun working to rule which will have a rapid effect on deliveries, more than 160 engineering and metal working companies in the area of Sabadell are expected to lock out an estimated 12,000 workers this week because of strike action, building workers in the north-west are still out, there is no sign of a solution to the air traffic controllers' month-old dispute, while in several other manufacturing sectors, both employers and shop stewards are forecasting that strikes this autumn are almost inevitable.

Thanom returns

Ousted Thai military ruler Thanom Kittikachorn defied the government yesterday by returning from self-exile to Bangkok to become a Buddhist monk, Reuter reports. The 65-year-old marshal flew from Singapore after three years abroad, shaved his head and donned the saffron robes of a monk.

Lebanon talks break up without progress

BY IHSAN HIJAZI BEIRUT, Sept. 19.

THE LATEST round of tripartite talks between Lebanese, Syrian and Palestinian leaders failed to achieve any positive progress to-night towards an end to the fighting in Lebanon.

With only four days to go to the inauguration of Mr. Elias Sarkis as the country's new President, few observers expect an early solution, in spite of intensive inter-Arab contacts.

The three sides met at the eastern Lebanese resort of Shtoura, after their talks were adjourned on Friday for Mr. Sarkis to fly to Cairo to see President Sadat. To-day the President-elect returned after meeting President Assad in Damascus, but the talks, attended by Palestinian leader Yassir Arafat, and the Syrian air force commander, Air Vice-Marshal Naji Jamil, appeared to be abortive.

Air Vice-Marshal Jamil declared after the meeting that the participants "did not achieve an identity of views" and that another meeting is to be held next Friday.

Arab League envoy Dr. El Kholy said that "the meetings will continue" and that he was confident that Mr. Sarkis would assume his duties on time next Thursday.

There has been a noticeable escalation in the fighting on all Lebanese fronts lately, with the rival factions resuming indiscriminate shelling of residential quarters. Four people were killed and 12 wounded in the bombardment which took place *here yesterday. The total* casualty toll during the past 24 hours is put by hospital sources at 23 dead and 30 wounded.

Meanwhile, the outgoing Lebanese President, Mr. Suleiman Franjieh, to-day blamed the Palestinians for the outbreak and continuation of the civil war and accused them of wanting to establish a national home in southern Lebanon.

Allon explains peace plan

JERUSALEM, Sept. 19.

FOREIGN MINISTER Yigal Allon told the Cabinet to-day he published a controversial Middle East peace plan, detailing proposed Israeli withdrawals, so Israel's friends could understand its need for defensible borders.

Israel Radio said Mr. Allon was speaking to the Cabinet following a storm of criticism from other politicians at the publication of the plan last week in the American quarterly magazine, Foreign Affairs.

In the article, Mr. Allon proposed major Israeli withdrawals from Gaza, the Golan Heights and the West Bank of Jordan, taken over in 1967, and establishment of a demilitarised joint Jordanian-Palestinian state in the area. He said Israel should only retain areas necessary for its defence.

Reuter

Ford may accuse Carter after tax burden comment

BY JUREK MARTIN, U.S. EDITOR WASHINGTON, Sept. 19.

PRESIDENT Ford is likely to accuse Mr. Jimmy Carter of being willing to increase the taxes paid by half the families in America when the two Presidential candidates discuss domestic and economic policy in their first nationally televised debate this coming Thursday.

This weekend both Mr. William Simon, the Treasury Secretary, and Mr. James Lynn, the budget director, seized on an interview given by Mr. Carter to a news agency in the course of which he said that, as President, he would try and shift the tax burden to those best able to bear it.

He was asked how he would define those with what he called "higher incomes." He is reported to have replied: "I don't know," but to have added: "I would take the mean or median level of income."

Messrs. Simon and Lynn immediately termed Mr. Carter's position as "incredible." Mr. Lynn calculated that this meant that every family with a combined annual income of more than $14,000 would have to pay more taxes, whereas the President was seeking to lower the taxation of the middle classes. Mr. Simon compared Mr. Carter's alleged position with that taken by Senator McGovern four years ago with his controversial $1,000 "demogrant" proposal.

Mr. Jody Powell, Mr. Carter's press secretary, replied with some asperity that the Republican charges were "typical political distortions and misrepresentations." He said that Mr. Carter intended to simplify the tax code and to relieve the tax burden on both low and middle income families. The real Republican goal, he went on, was "to defeat meaningful tax reform."

Mr. Carter's position all year is that he is in favour of radical tax reform but that he will not be able to come forward with comprehensive proposals until an exhaustive study of the subject, which could well take a year or so, is completed.

Nevertheless, on occasions this year, he has appeared to give his opponents openings. In February, for example, on the eve of the New Hampshire primary, he said that, as part of an overall tax reform package, he would eliminate the tax deduction now available on mortgage interest payments. Other Democratic candidates tried to make something of this at the time, but with minimal success.

Mr. Ford, however, keen to nail Mr. Carter in the televised debates, cannot afford to let the opportunity pass. With so many voters so patently undecided at this late stage in the political game, and with interest in the debates running very high across the country, it is critical for the President to succeed in labelling Mr. Carter has a man who does not know his own mind but who also possesses dangerously radical tendencies on such important subjects as taxation.

The debates themselves continue to be surrounded by controversy. The latest is the threat of the three commercial television networks not to broadcast them if they are not allowed to show pictures of the reaction of the specially selected audience that will be present. There is also much discontent at the request of both candidates that they be permitted to vet the selection of the panel of journalists who will be putting the questions.

Italian car makers protest over extra levy for Friuli

BY ANTHONY ROBINSON FLORENCE, Sept. 19.

THE ITALIAN motor industry, which has already seen 40 per cent. of its domestic market taken over by foreign imports this year, has reacted strongly to the Government's latest decision to impose a new "once only" tax on cars, motorcycles, motor-boats, private aeroplanes and football pools, to help finance the reconstruction of earthquake-hit Friuli.

The industry fears that the new tax, which will have to be paid by October 31, will depress vehicle sales in an unfavourable period and at a time when it already faces the prospect of higher costs from labour contract negotiations due to start shortly.

It sees the new tax as another example of the way in which the inadequacies of the fiscal system always lead to sacrifices being imposed on those sectors of industry like automobiles which are easily taxed but also represent a key sector of the economy whose survival should not be put in jeopardy in this way.

The new taxes are expected to raise L220bn., plus a further L50bn. from the higher tax on football pools.

The tax is on a staggered basis. For automobiles, for example, it ranges from L15,000 (just over £10) on small cars to L200,000 for models over two litres.

The L270bn. raised in this way follows the original L200bn emergency grant announced in July, but it still represents only a fraction of the overall cost of reconstructing the earthquake area, and further tax increases are expected, not only to pay for Friuli but also to raise the overall proportion of government expenditure paid for out of tax revenue rather than borrowing.

India may lift ban on journalists

BY K. K. SHARMA NEW DELHI, Sept. 19.

CENSORSHIP restrictions on foreign correspondents, imposed soon after a state of emergency was clamped on India on June 25, 1975, has been withdrawn with immediate effect and they are now free to write without being subject to "guidelines" they have had to follow for more than a year.

This was told to foreign correspondents by Mr. V. C. Shukla, Minister of Information, when they met him informally yesterday. He also told them that foreign journalists who had been banned from entering India could apply for the lifting of the ban and that each case would be considered individually on its merits.

However, while the requirements by the censor have been withdrawn so far as foreign correspondents are concerned, the censorship laws under the proclamation of the emergency remain in force. The position of Indian journalists writing for foreign newspapers is unclear, and as far as Indian journalists and the Indian press is concerned, there is no change in censorship.

Qatar takeover

Qatar is to pay shareholders of the nationalised Qatar Petroleum Company an operating fee of 15 U.S. cents a barrel for oil produced from their former concessions, industry sources said in Doha yesterday, according to Reuter. The full government takeover of QPC was announced here last Thursday. The Government had held a 60 per cent. interest in the company since 1974.

QPC was formerly run by a consortium including British Petroleum, Royal Dutch Shell, Compagnie Francaise des Petroles, Mobil and Exxon. Industry sources said that besides the 15 cent fee, the companies would receive compensation on the book value of QPC assets. A similar agreement is expected shortly affecting the other producer, the Shell Oil Company of Qatar.

U.S. inspects MiG-25

The U.S. is helping Japan to dismantle the Soviet MiG-25 Foxbat warplane flown to Japan by a dissident pilot, Japanese defence agency sources said yesterday, reports Reuter from Tokyo.

China mourns

Three minutes' silence was observed throughout China on Saturday to mourn the death of the country's leader, Chairman Mao Tse-tung. Officially 1m. people attended a memorial rally in Peking's Tien An Men square, but observers say the total was closer to 2m., our Peking correspondent writes. The ceremony climaxed eight days of official mourning.

Makarios protests

President Makarios said yesterday certain countries were trying to prevent the Cyprus problem from being debated before the full General Assembly of the UN, and declared that if these backstage moves succeeded, Cyprus would boycott this year's Assembly session. The Archbishop did not name the countries, but observers believe he was probably referring to the EEC countries which recently made concerted efforts to revive the stalled peace talks between the two Cypriot communities.

OVERSEAS NEWS

SOUTH AFRICA'S CAPE COLOUREDS

Patience exhausted

BY JOHN STEWART, IN CAPE TOWN

DETERIORATION of race ...ons in South Africa's Cape ...nce, in which long-standing ...gs of sullen resentment and ...st between whites and ...eds (people of mixed race) ...been transformed in recent ..., to open hostility, violence ...ndustrial action, will add ...l significance to two im... ...nt events this week: the ...ng to-morrow between the ... African Prime Minister, ...ohn Vorster and a deputa... ...f coloured political leaders, ... in a wider context, the ...nal Party's Cape congress, ... opens in Port Elizabeth ...e same day.

... meeting between Mr. ...er and coloured leaders has ... called to discuss ongoing ...unrest and the detention of ... Rev. Allan Hendrickse, ...nal chairman of the ...red Labour Party, under ... African security laws.

... Port Elizabeth, Cape ...nalists will discuss a motion ...sting "the Government to ... the necessary adjustments ...oured policy with a view to ...ting white/coloured rela...

Ominous spread of violence

...e than 50 coloured people ...elieved to have died in the ...ce of recent weeks in the ... and hundreds have been ...ed. The disturbances, which ... with demonstrations by ...nts and schoolchildren, ...y turned into aimless riot... ...nd stoning in the streets, ...pread ominously from the ...hips around Cape Town ... into the surrounding rural ... The unrest culminated last ... in an apparently effective ...ay work stoppage, which ...e clothing industry parti... ...y hard, keeping an esti... ...l 70 per cent. of staff at ...

...re can be little doubt that ...nsible white and coloured ...s are deeply concerned ... the extent of the break... ... in relations which hitherto, ...ite of the negative aspects ...tatutory apartheid, have ... marked by a substantial ...e of goodwill, especially ...en white Afrikaners and ...reds who share cultural ...anguage ties, and who pro... ... share the full range of ...n aspirations and mutual ...tions, but who fail to agree ...e vital question of political ...r.

...oured leaders admit, and ...aner Nationalists probably ..., that the process of aliena... ...set in motion 25 years ago ... the disenfranchisement of the coloured people, has now gained a momentum of its own and is rapidly reaching total estrangement.

A feature of recent unrest that has shocked and dismayed the white and coloured establishments is that the violent protest appears to be both leaderless and unexpectedly broadly based. But perhaps most alarming of all is the extreme youth of the people who have been carrying the fight to white authority and its institutions.

This suggests that any programme designed to ameliorate racial tension and bitterness will face a long uphill struggle against prejudice, the basic feedstock of which is apartheid. There is a danger that if Afrikaner Nationalist resistance to conciliation and accommodation persists, the racial hatred of coloured children towards whites will infect their more moderate parents and destroy any residual goodwill.

The South African Government probably senses this, and it may account for the fact that measures announced by the President of the Senate last week to end "obsolete practices and usages" of separate development were seen by coloured people as a conscious attempt to improve the socio-economic condition of the middle class, while ignoring more acutely harmful aspects of the policy. The impact of aspects such as group area removals, unequal work and educational opportunities, separate amenities and race classification, is felt more deeply by the *so-called coloured people because* they identify with whites in nearly every aspect of human aspiration, but are denied gratification because of the colour of their skin.

Nevertheless, socio-economic reform appears to be the only option open to the Government to check worsening race relations, as events after next week's meetings will probably show.

In this respect the report of the Erica Theron commission of inquiry "into matters relating to the coloured population group" provides a number of important guidelines. Whether they will be followed by Mr. Vorster is much less certain, since the commission's most important recommendations (the political and social integration of whites and coloureds) have already been rejected by the Government.

The Theron Commission, whose greatest merit lies in its comprehensive documentation of coloured feelings and opinions, recommended the repeal of the Prohibition of Mixed Marriages Act, selective relaxation of group areas (where they affect business rights, restaurants and recreation facilities), the "decontrolling" of mixed sport between coloureds and whites, direct coloured representation in all levels of Government and in other decision-making bodies, and unrestricted agricultural ownership for coloured people anywhere in the country.

A plea for the total abolition of job reservation, the acceptance of coloured workers in positions of authority over whites, and a greater awareness of the need for the benefits of better pay are all made in the report.

The report comes out strongly for the abolition of petty apartheid in most public amenities: on few other issues was coloured opinion so outspoken and clear.

The culture of poverty

One of the key concepts used by the commission in its analysis of social problems, ranging from alcoholism, illegitimacy and "workshyness" to overcrowding, is that of the "culture of poverty." The concept is a powerful argument against ethnicists and conservatives who want to blame brown Afrikaners themselves for their economic backwardness and working-class status. It explains why individuals are unable to climb out of the vicious circle of social evils unless the whole system changes and their horizon of expectations are substantially *widened*.

But the chances of such arguments being accepted either by the Government or by the various National Party congresses — the ultimate decision-making bodies—are influenced by some crucial, and almost certainly overwhelming, factors.

Most importantly, there is a fear of rank-and-file Nationalists that if the recommendations are accepted, similar steps will be demanded for Asians and Africans at least outside the Bantustans.

There is also the continuing if hidden strength of the right wing within the NP.

Finally there are financial implications to the recommendations: while many of the proposals amount to a change of heart rather than additional expenditure, and some may even be regarded as "productive" in the longer run, Government spending on the coloured community will have to increase dramatically to allow implementation of the recommendations, and that at a time when the budget is already under severe strain. The prospects seem slim.

Rail delays 'are not political' —Rhodesia

By Our Own Correspondent

SALISBURY, Sept. 19.

THE RHODESIAN Minister of Transport, Mr. Roger Hawkins, denied this week-end that the South African Government was trying to apply either open or covert political pressure on Rhodesia through its railway system.

He was commenting on reports that the United States had evidence of South Africa deliberately congesting rail link to the sea in order to force Prime Minister Ian Smith to accept majority rule.

Mr. Hawkins said in an interview that congestion arose from two sources.

Following the closure of the Mozambique border with Rhodesia earlier this year, South African exporters lost confidence in the use of the port of Maputo. Goods were diverted to Durban, which "*tended to create an unexpected congestion.*"

"The other problem arises from the fact that both our outlets to South Africa go through that system of the South African railways which is around the Witwatersrand," he said. "Due to the recession that we have all been experiencing, including South Africa, a number of products which normally would be consumed within South Africa are now seeking export outlets."

Meanwhile a white policeman was killed and two others injured when their police launch on the Zambesi river was fired on from Zambia, security force headquarters announced on Saturday. The communiqué said that the policemen were in Rhodesian waters.

Pertamina dismissal

By Hamish MacDonald

JAKARTA, Sept. 19.

PRESIDENT SUHARTO yesterday dismissed the head of Pertamina's shipping operations, following new public disclosures last week of the extent of the Indonesian state oil firm's tanker problems.

The head of the Pertamina shipping and telecommunications directorate, Colonel Soekotjo, was "dismissed with honour and gratitude," according to a palace announcement. He will be replaced by the head of the telecommunications sub-directorate, Rear-Admiral Soeharno.

HOME NEWS

Effectiveness of consumer advice centres queried

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

MRS. SALLY OPPENHEIM, the Opposition spokesman on Prices and Consumer Affairs, reaffirmed the Conservative Party's belief in the need for consumer protection at the weekend but questioned whether the present network of consumer advice centres was "cost effective."

She suggested small shopkeepers who depended for their survival on local goodwill, could be exempted from much consumer protection legislation without harming the consumer interest.

Speaking at the National Consumer Congress in Birmingham, Mrs. Oppenheim failed to give a firm answer to the question of whether, if she was in power, she would support a continuation of the present State aid to the National Consumer Council.

This was probably the question in which the 430 delegates were most interested.

She agreed that when the council was set up by the Labour Government last year she had regarded its creation as "superflous." But that was not to say she did not think the consumer voice needed a mouthpiece.

If the Conservatives came to power they would have to allocate their priorities in the field of consumer protection in the light of the need for a reduction in consumer spending.

Something would probably have to go, but she did not envisage it would be the NCC. But she intimated the council's role might have to be re-defined.

Mrs. Oppenheim said there was not enough consumer protection in this country, but that any future measures should be taken "with caution and with consideration for all the social and economic variables involved and affected."

She had long been an advocate of the need for consumer advice, but she agreed with those who criticised the unnecessary extravagance which had flourished in some cases. The proliferation of consumer advice facilities in some areas had prevented the provision of "more modest and badly needed shops elsewhere."

Things could not be left as they were "without at least seeking a more uniform and cost-effective national advice policy," if and when the money was available.

Good consumer practices were a positive advantage, not only to consumers and "the outward image of industry" but also in raising standards and ensuring active but fair competition in the economy as a whole.

When the two-day conference ended on Saturday there was general agreement that next year's congress should be a more practical affair. Though some ideas for practical action were discussed — particularly in the "mini-conferences" on Friday — the emphasis tended to be on theorising.

For a start, the delegates had to decide just what they had in common with each other—a difficult enough question to answer given the spread of organisations represented. They ranged from the Campaign for Real Ale and the Confederation of British Industry to the Child Poverty Action Group and the Citizens Advice Bureau.

Successful

Many agreed that they could best achieve their aims by working together, but a representative from CAMRA said his organisation had only been successful because it had adopted an entirely self-interested position.

One fundamental point which the Congress showed still had to be resolved, was to what extent the consumer movement should ally itself with the trade union movement—which many people regard as the model on which the National Consumer Council should base itself if it is to fulfil its mandate as the "partisan voice of the consumer."

Mr. Michael Young, the council's chairman, was accused of "union bashing" for saying that many strikes were only effective because they hit the consumer.

He agreed, however, with other speakers who suggested that the consumer movement should work with unions wherever possible. But the fact remained that on some issues the aims of the unions were not always going to be the same as those of consumers.

Some speakers suggested that instead of criticising unions the NCC should be attacking private industry. Mr. Jeremy Mitchell, a director of the Office of Fair Trading, suggested however, that it was time for the consumer movement to "drop its practice of keeping industry at arm's length."

In its new maturity the consumer movement should sit down on equal terms with industry to discuss quality in all its aspects.

As far as this year's congress was concerned, however, private industry got off fairly lightly. The poor service offered both by the nationalised industries and the social services came under far more attack than the kind of thing which used to be regarded as the proper target for consumers' concern, such as inadequate labelling and misleading advertising.

As part of its aim of covering those fields not covered by other organisations, the NCC has devoted much of its time to the public sector. It will soon publish a report calling for the phasing out of means tested benefits.

The report will ask the Government to set up a review to see whether it is possible to reconstruct a combined tax and social security system.

Closing the congress, Mr. Michael Young said the council's task this year must be to "turn industry inside out" so that those working inside both industry and the social services took account of those outside, and those outside were allowed to see what was going on inside.

County Court register 'still wanted'

MORE THAN 5,000 businessmen, are urging the Lord Chancellor to reconsider his proposal to wind up the Register of County Court Judgments.

Opposition to the Lord Chancellor's suggestion comes in a recent poll by Dun and Bradstreet of subscribers to Stubbs Gazette, the weekly credit newspaper and subscribers to the company's credit reporting service.

The two groups were asked for their views, which the company promised to present to the Lord Chancellor.

Dun and Bradstreet has already submitted that closure would be against public interest.

The most common fear expressed by those polled was that withdrawal of county court judgment information from those who grant credit would lead to an increase in bad debts and a rise in the price of goods and services.

Many of those who replied, including nationalised industries, public authorities, banks and members of the legal profession and manufacturing industries, were concerned that county court judgments were often against habitual offenders, from whom the public had a right to be protected.

Chemical industry uses energy more efficiently

BY JAMES McDONALD

ENERGY CONSUMPTION by the chemical industry in the Common Market has grown at a rate significantly lower than its output and the trend is expected to continue up to 1985, according to a survey of energy consumption prepared by the European Council of Chemical Manufacturers' Federations.

In effect, the industry was using energy more efficiently.

The survey, Energy Statistics, 1976, covers the years 1965 and 1970 to 1975 and goes on to give estimates for 1980 and 1985. It says that the EEC chemical industry in 1974 accounted for 17.5 per cent. of total EEC industrial consumption of energy.

The industry is confident that there will be further reductions in energy consumption per unit of output.

The U.K.'s chemical industry's production rose by more than 5 per cent. between 1973 and 1974, while energy consumption fell by 4 per cent.—a drop of 9 per cent. in energy use per unit of output the British Chemical Industries Association, says.

"In 1975 output fell by nearly 10 per cent. while energy consumption was reduced by almost 8 per cent. Many plants were operating well below capacity and in such conditions it is difficult even to hold down rates of energy consumption.

"The industry's energy conservation measures are expected to yield further improvements over the next decade."

"Energy Statistics, 1976"—Chemical Industries Association, Alembic House, 93, Albert Embankment, London, S.E.1.

More attacks on homes of Ulster warders

BY OUR BELFAST CORRESPONDENT

THE HOMES of two more warders in Ulster were attacked yesterday as a wave of Ulster Defence Association violence because of alleged brutality in the Maze Prison continued.

UDA leaders meet in Belfast to-day to decide whether to step up their campaign for disruption in an attempt to force an inquiry into their claims of ill-treatment of Protestant prisoners.

The Northern Ireland Office has refused an investigation. Protestant politicians are attempting to mediate between the two sides to end the violence.

The Northern Ireland Prison Officers' Association has revealed details of personal attacks on prison staff. It said homes of six warders were attacked in the past three days. In the latest incidents petrol bombs were thrown at two houses at Lisburn, Co. Antrim. One was badly damaged. No one was injured.

Three officers have been intimidated into leaving their homes in the Protestant Sandy Row district of Belfast. Cars belonging to several warders have been maliciously damaged, says the Association.

The Provisional IRA is expected to renew attacks against phasing-out of political status in Ulster prisons, after the conviction this week of a young man from Falls Road, Belfast.

Kiaran Nugent, jailed for a hijacking offence, is the first man to be sentenced for a crime committed after March 1, and as such is refused political status. He is protesting by refusing to wear prison clothing or do prison work.

Provisional Sinn Fein in Belfast claims he is locked in a cell 24 hours a day, covered only by a blanket.

The Provos in North Armagh have admitted murdering a police sergeant, aged 33, at Lurgan on Saturday. He was shot by two men in a car driven by a young woman. A constable wounded in the same incident is in hospital.

ICL computer for Stoke

STOKE ON TRENT has decided to buy a British-built computer rather than an American model which they at first decided to buy at an extra cost of £82,000.

The decision to buy the American IBM computer brought a strong protest from the nearby ICL computer works in Kidsgrove. After reconsideration, Stoke Council's finance sub-committee has decided to spend £211,000 on the ICL computer.

LABOUR NEWS

Congress launches devolution campaign

BY OUR FOREIGN STAFF

THE TUC formally launches to-day its campaign in support of Government thinking on devolution with the publication of a policy report to be distributed throughout the U.K.

The contents of the six-page booklet were effectively authorised by the massive vote in favour of devolved powers for Wales and Scotland at the TUC Congress in Brighton this month.

Developed in close consultation with the Scottish and Wales TUCs, the policy document argues for devolution on the grounds of retaining "the unity of the Labour movement," and "the industrial, political, economic and social unity of the U.K."

One of the document's few notes of dissent from Government thinking concerns the control of Scottish universities, which the general council believes should reside, like other educational matters, with the Scottish Assembly, "though they recognise that this raises the question of the finance of universities in Britain as a whole." Finally, the TUC comes down heavily against any suggestion of a referendum on devolution.

Difficult

There is acceptance of the distinction drawn in Government policy between legislative assembly for Scotland and the executive equivalent for Wales.

On the question of the sovereignty of the U.K. Parliament, the document notes approvingly that the Government proposes to allow Westminster to override the assemblies by Parliamentary debate and vote.

But "it is difficult to determine in advance when and in what fields Parliament will need to use these powers.

"Certainly, it will not be politically feasible for a Government of whatever party to recommend their use too often."

Revenues

Turning to the issue of Scottish oil, the general council welcomes the view of the Scottish TUC that revenues should be used for the benefit of the whole U.K.

But the document in determining the scope for the activities of the Scottish Development Agency, urges the Government "to give the assembly the fullest possible role in directing the activities of the SDA, compatible with the maintenance of an effective industrial strategy for the U.K. as a whole."

NALGO effort to stop cuts is stepped up

BY IAN HARGREAVES, LABOUR STAFF

NALGO, the biggest public sector union, will hold a full-scale special delegates' conference this year in a bid to increase the momentum of its campaign against public spending cuts.

The decision was taken by a weekend meeting of the 70-strong executive council of the National and Local Government Officers' Association. The conference will probably be held in London in December with about 2,000 delegates.

Discussion at the conference will centre on a paper to be produced by the executive. It is intended to bring together information from the union's 1,200 branches about the effects of the cuts and the measures taken to combat them.

The agenda will be divided into three parts, taking in general unemployment, the effect of cuts on services and the effect of cuts on jobs of NALGO members.

The conference will probably have details of next year's rate support grant. This will have a crucial bearing on the future pattern of expenditure reduction.

The executive also wants a resolution of support for the national day of protest against the cuts called by the National Union of Public Employees and to denounce last week's monthly progress report from the Treasury. That defended current policy on overseas investment. The union believes in more rigid restrictions on overseas investment.

Vote decision

NUPE's executive also met at the week-end and decided to make official an anti-cuts strike by school cleaners in the Highland Regional Authority of Scotland. The union says the cleaners face reduced earnings because they are being forced to work fewer hours.

● The NUPE executive has also decided that the union's voting power at next week's Labour Party conference poll for the treasurership of the party will be cast in favour of Mr. Norman Atkinson. It said later that it believed this would ensure Mr. Atkinson's election instead of Mr. Eric Varley, the Secretary for Industry.

'Aid school-leavers' call by teachers

BY OUR LABOUR STAFF

A CRASH PROGRAMME for education and training of Britain's 200,000 unemployed school-leavers was demanded at the week-end by Mr. Alf Wilshire, president of the National Union of Teachers.

Mr. Wilshire, speaking at Ross-on-Wye, dismissed the Government's job-creation scheme as a palliative, inadequate for preparing young people for their part in the needs of Britain when the economy improved.

If urgent action was not taken, the country would be faced with "a mighty social problem because many of these young people have been deprived, in the school system and at home."

Turning to the cuts in local authority spending, Mr. Wilshire said that he was disturbed that authorities were starting to cut post-school grants to students.

"This is a most retrograde step, particularly at the present when so many cannot obtain employment on leaving school.

"Surely it is more sensible that they should be increasing their knowledge and skills rather than being faced with possible unemployment with the ensuing cost to the nation."

The unemployment of many school teachers was a further barrier to efficient preparation for the economic upturn.

"The nation cannot afford the loss of thousands of highly skilled teachers. Education is not just a consumer within the economy; it is vital to economic recovery."

In particular, there were shortages of teachers of science, mathematics and practical subjects, Mr. Wilshire said.

Alan Pike and **Christian Tyler** tell the story behind the seamen's wage claim.

An age-old sense of grievance

Terry Kirk

Two militants of the Seamen's executive: Gordon Norris (left) and Pat Milner (right).

SAMUEL PLIMSOLL, MP, surely not right in the head, an ironic Vanity Fair in its ile of "The Sailors' Cham- " in 1873.

He has declared that there men among the Merchants England who prefer their profits to the lives of their ants and who *habitually* ifice their men to their ley. He claims sympathy admiration for them, *ough it is well known that* are ill-washed, uncouth and of speech."

alk to the British seaman *ay and you will be left with* impression that things *n't improved much in 100* s. The food may be better *there are carpets in the* ns. but the wages, he says, *pitiful for the hazardous* socially disrupted life he s. At *home his skills,* lty and contribution to the iomy go *unrecognised.* oad, the foreign seafarer ghs at the *size of his pay* cet. It is this age-old sense grievance, a "them-and-us" ude to ships' masters, shipers, union officials, politis, and the Press that lies the heart of the present le over the social contract.

eamen have been described combining the insularity of ing communities with the chism of the roving buildworker. That combination, led up to national level by men on the union's execucouncil, partly explains why as been the seamen who are ing, if not breaking, the mes policy, rather than the -organised miners or the -militant car workers.

he current wage dispute is od *example of how militancy* anarchy combine. The union *in a claim in February that* not even mention fringe efits. *The claim changed at* t twice until ruled out by TUC *as a breach of pay* cy. Now the union is *erfully presenting a brand-* claim for fringe benefits to *employers, to be answered* morrow. If they cannot get *£6 one way, they will get it* ther. One cannot imagine ther union so *cheerfully* ping from one foot to ther.

his is how one local fulle official of the union desbed the men whose servant is: "The majority of the ople in this industry need to led, unfortunately. It's a estion of the right leadership. e activists, politically or instrially, are in a minority. majority are very conservaminded." There are plenty seamen who think that this *e they have been misled.*

They echo a criticism that can be heard at higher levels inside the union bureaucracy: that with one or two exceptions, the men on the national executive *are politically unsophisticated.* They may be good on matters *affecting their industry, but the* wider political context eludes *most of them.*

Even Mr. Jim Slater, the *general secretary—a man whom* all agree is incapable of devious*ness—is railed at by some of his* North-East coast constituents *for having led the union into a* cul-de-sac with this year's wage *claim. Nevertheless, the single*mindedness of the union *leadership* (the militant minority on the 18-man executive makes most of the initiatives, the others are illorganised) has carried the seamen farther than any other union against the combined weight of the TUC leadership and Government Ministers.

The advance of the militants *can be traced back* to the end of the 1950s when local activists, especially on Merseyside, launched what is *known* as the reform movement. They wanted to break away from a union which they felt was far too chummy with the employers and whose officials were far too high-handed in their dealings with the members. The breakaway failed, but the movement produced men like Mr. Jim Slater and Mr. Joe Kenny (who joined the Communist Party after the 1966 national strike and stood against Mr. Harold Wilson, as he then was, in the 1970 election). Later it attracted men like Mr. Gordon Norris, a left-winger who is credited with *being the most purely* "political" of the leadership.

Conveners

These reform activists were prominent in the unofficial strike in *1960* when they led a campaign for ship-board shop stewards and changes to the restrictive provisions of the 1894 Merchant Shipping Act. They were prominent again in the official strike of 1966—hence Mr. Wilson's never-forgotten attack on the "tightly-knit group of politically motivated men." They and their followers have been trying to raise the political consciousness of the members and to dispel the submissiveness that has been ingrained by years at sea where orders are made to be obeyed without question.

By 1965 the demand for shipboard conveners had been met, although their powers scarcely match those of, *say,* a senior shop steward in a car factory. Other changes followed the 1966 strike, a strike in which *the union to-day believes that it* taught shipowners and Government *alike* that there were serious grievances that had to *be satisfied. The 1970* Merchant Shipping Act made it legal for seamen to go on strike in U.K. ports, but not abroad, and though there still is a statute on the books covering mutiny the disciplinary powers of the ship's master were circumscribed.

There is a list of offences for which a seaman can lawfully be fined or for which wages can be docked: assault, disobedience to a lawful command, being asleep on duty, being drunk or drugged, throwing property overboard, aiding and abetting stowaways, and the like. But a master may no longer fine a seaman for swearing at him in the heat of the moment.

The union's cosy relationship with employers has not been entirely broken: for example, *the union gets a large part of its income from the General Council* of British Shipping under *what is called the "non-domi*ciled U.K. manning agreement" *covering* ships traditionally manned by Asian seamen. It is *paid £15 per head, a year*—once the equivalent of the union sub*scription—for these lower-paid* crews in exchange for allowing *them to remain outside the* union and the closed shop. The *theory behind the agreement* was that it would encourage owners to pay Asians the *nationally-agreed U.K. rates.*

Again, one hears complaints from militants that the people at head office—Maritime House, at Clapham in London—are too quick to take the shipowners' side in local disputes. Threatened with the loss of a day's sailing (which can cost £1,000 or more) because of a local grievance, shipping companies are said to appeal to their union friends at union headquarters to knock the threat on the head.

Ferrymen

The men who are meant to sort out *industrial* grievances are the 29 branch secretaries. But they are hard-pressed simply to keep up with administrative work, like checking that seamen are up to date with their union dues (they can't sail if they are *not*) or *dispensing fall-back* pay for those waiting for ships. "I'm not a trade union *official—I'm a* social worker," one said last *week. "Like most seamen I was* anti-official with a vengeance be*fore I came into this job. Now,* while I agree we sometimes *don't do enough for the* members. I can understand why *not.*"

There is no average seaman, *just as there is no average pay* packet. Seafaring communities *have very different* histories and attitudes, largely determined by the type of trade their port has specialised in. That has begun to change: increasingly men fly out to join ships abroad so that British vessels may not return home for five years.

To generalise, the South-East ports are less militant and earnings much higher than on the North-East coast or on Merseyside. With overtime, *ferrymen* can earn up to £150 a week: deep-sea *crews may earn under* £80. Passenger liner crews—consisting *largely of cooks* and stewards—are very different *from oil tanker crews: attitudes* in Southampton are different *from attitudes in South Shields.*

Less than a quarter of the *ocean liners which were strike*-bound at Southampton during *the 1966 strike are still at sea* to-day, many having disappeared *prematurely* as the passenger trade declined. This *explains why the majority of* men at Britain's premier passenger port not only opposed a strike but were deeply worried by the *possible long*-term consequences.

If the NUS had gone ahead with their strike plan from last *weekend the first big test of* its effectiveness would have been the P & O *liner Oriana,* due to leave for a cruise on Sunday. *Her crew had,* like those on all the big Southampton *liners, voted against striking.*

Although the *cruise* trade remains healthy, scheduled passenger services are a mere *fraction of what they once were.* There is real anxiety among Southampton seamen that a strike might kill off work even *more quickly than it is already* disappearing.

Most of the 6,500 registered NUS members at Southampton *are in* the passenger trade and those with "hotel" type jobs *like* waiters and cooks know that they will not find other work at sea as the big liners disappear. Some doubt whether their union *has proved flexible enough* to respond to the different needs of its very varied membership.

"It's all very well showing our union's *strength* by hitting the economy with a national strike," was the comment of one middle-aged catering worker. "*But in the passenger trade we* would simply be holding ourselves up to ransom. The most powerful weapon in the world is no use if it backfires, and that's the way most people at our *end of the trade think.*"

At the other end of the scale Southampton is a busy ferry port. But men in this trade are insulated from some of the *grievances of their fellow* seamen by higher than average earnings, plus a more regular home-based life which gives *them attitudes closer to those of* shore workers than the militant *groups who supported the strike* decision.

Bitterness

Seamen queueing for jobs at the South Shields "pool" last week were in no doubt that support for a strike would be solid. A tanker bo'sun, turning up his collar against the grey Tyneside drizzle, said "The men don't want a strike. But if they don't get what they want, all Shields will be out." Married with three children, he said a strike was wrong at a time the country was getting back on its feet. "But why should the seamen be walked over when miners and dockers get what they want?"

His assessment was confirmed by the landlord of the Mechanics Arms. There, and amid the more conventional decor of the Shoreline disco, seamen displayed genuine bitterness about their dependence upon overtime to make a decent living for themselves and their families. *One said he had earned more* in two weeks shot-blasting a *tanker's hold in Cardiff than in* six months at sea. Another *seasoned deckman said: "If I* had a son, I would break his *legs to stop him going to sea.*"

Having secured the five-day *week—40 hours for £40 basic* — they have found overtime *reducing. That is why there is* so much demand for a "captive *time" payment, not only for on*-call hours spent aboard in British ports, but *also for* dreary week-ends at anchor in the Gulf, where the men do not go ashore because there is nothing to go ashore for.

The seamen do not think their union has done enough for them, despite the new mood of militancy at the top. At the same time they seem unready to lead the union from below. Perhaps what they are really looking for is another public champion like Samuel Plimsoll, MP.

INTERIM STATEMENT

The Felixstowe Dock & Railway Company

INTERIM RESULTS

Results for the Company for the Year ended 30th June

Audited 1975 £'000			Unaudited 1976 £'000	
8.137.8		Turnover		9,643.6
2,211.0		Profit before items charged below		2,263.8
	671.8	*Depreciation, Maintenance and Dredging provisions	716.9	
	925.7	Interest	989.6	
1.597.5				1,706.5
613.5		Profit before Tax		557.3
335.0		United Kingdom Tax @ 52%		289.8
278.5		Profit after Tax		267.5
.205.165 tonnes		Tonnage of cargo handled		4,267.928 tonnes
7.975p		Earnings per Stock Unit		7.660p
	£'000		£'000	
	309.5	*Depreciation	308.9	
	212.3	Dredging	300.0	
	150.0	Major Maintenance	108.0	
	671.8		716.9	

-Following the decision to close the Company's financial year on t December 1976 the results shown are *unaudited* figures for the elve months ended 30th June 1976.

In September 1975 Felixstowe Tank Developments Limited ceased be a subsidiary. The consolidated figures for last year have, therefore, en *re-calculated for the purpose of comparison.*

The Company became a subsidiary of European Ferries Limited in rch 1976. *They now hold over 97% of the Issued Ordinary Stock.*

-The taxation figure shown is not the amount that has been charged *that which has been transferred to Deferred Taxation account.*

-During the period under review certain expenses have been incurred *connection with the offer from the British Transport Docks Board* acquire all the Issued Ordinary Stock in the Company. The total sts are not yet available but these will be taken into the extended al accounts for 1975/76. In addition a Group management charge m European Ferries Ltd. will also be taken into those accounts.

-A nominal Interim Dividend of 0.01% has been declared, payable 31st December 1976 to Stockholders on the Register at the close business on 17th November 1976.

-Current trading conditions and forecast are excellent and the rectors are buoyant about future prospects of increased traffic and ofitability.

"National flies me non-stop to Miami? To over 30 U.S. cities? And connects me to the Caribbean, Central and South America?"

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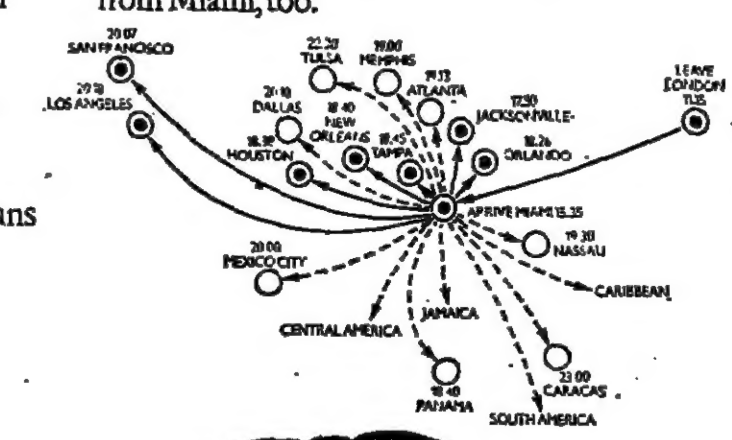
National's flights from London fly you non-stop to Miami, the sunny gateway to America. National can fly you to over 30 American cities like Houston, New Orleans and throughout Florida.

If Central or South America, or island-hopping in the Caribbean is your final destination, National can connect you there from Miami, too.



In fact, because National's departures, services and flights to so many cities are so good, people are saying "Take me, I'm yours" over and over. Three out of four of our passengers have flown with us before.

Start your trip to the States through America's sunny city: Miami. For more information or reservations call your travel agent. Or call National Airlines at: 01-629 8272. And say "National Airlines, take me, I'm yours."

National Airlines

"Take me I'm yours."

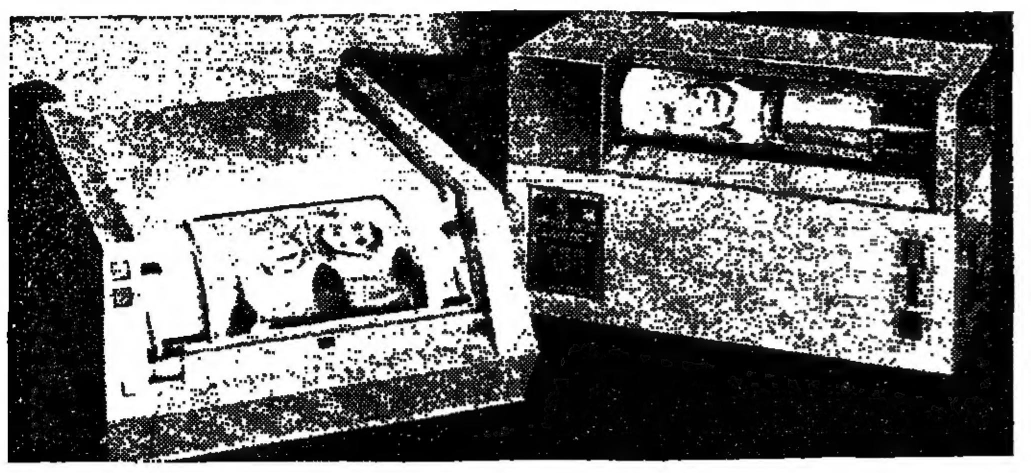
National Airlines Inc. is incorporated in the state of Florida, U.S.A.

The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● PRINTING

Picture costs are halved



ADVANCES in wire-photo reception, which more than halve running costs and make possible use of electrostatic roll paper instead of photo sheets, is incorporated in a low budget machine being shown for the first time by Muirhead at the newspaper IFRA Congress in Montreux, Switzerland, which starts to-day.

Muirhead's M 136 electrostatic photo facsimile recorder gives high-quality definition, and relies on a unique dry electrostatic process for some of the savings. It allows facsimiles to be used immediately with no further processing or drying time required. And the toner needs only infrequent replenishment.

Weighing 96 lbs, the M 136 costs £3,800 approximately, compared with £6,000 approximately for a normal photo receiver. Rolls of electrostatic paper sell at £12 for 350 feet—electrolytic photo paper would be several times more.

M 136 incorporates a 105m/350-foot paper rolls so there is no need for continual paper replacement. Photograph facsimiles of virtually any length can be produced but maximum width stays at the most used 215m/8.5 inches.

Coupled to private telephone wires, the M 136 can receive facsimile photographs completely automatically—responding to a signal from the transmitter.

Muirhead believes the machine's simplicity and reliability will make it an excellent alternative for the smaller newspapers and gives the advantage of a stable matt picture without discoloration—something which cannot be guaranteed with other low-cost methods.

Muirhead, Data Communications Division, Beckenham, Kent. 01-650 4888.

High speed drier

ALREADY USED for high speed drying in the printing industry, an air float nozzle system by Tec Systems Inc., of Wisconsin, U.S., is now being used in the paper coating, converting and packaging industry.

In the U.S. installations are now running with web widths up to 3.2 metres on carbonless copy paper and coated films, at speeds up to 2,000 feet/min.

The nozzle system has been adapted by Spooner Edmeston Engineering, Ilkley, Yorks. (09433 3371), for fitting to its driers. The company claims this system sets a new standard of drying with very high heat transfer rates to both sides of the web, combined with good web float stability and low web tensions. Its laboratory is equipped with one of these new air float ovens where customers can give their products a test run.

Apart from web stability, several advantages are claimed for the system. There is no fire hazard (as with gas ovens), and no support is required for the web. There is no surface damage to the coating, and because drying is carried out on both sides of the web there is no migration of solvents or colours. A typical application would be the removal of water from clay coated paper.

Maximum air temperature is about 250 deg. C. and maximum air flow speed from the nozzle is 20,000 feet/min.

● *By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.*

● SERVICES

Clearer picture emerges

THE FIRST 18 months of the Computer Services Association's existence has just been reviewed at the AGM by the new President E. P. Morris, of Coopers and Lybrand.

Average growth of the members' turnover has been 30 per cent. and the total is now running at about £161m., produced by a total employed staff of about 14,500.

Of particular interest is the work carried out by Charles Cox (of Geest Computer Services) in conjunction with the Department of Industry to improve the latter's quarterly statistics covering the industry.

Most of the change comes in the way billings of the industry are stated and there is now much more breakdown into categories. For example, in the total billings table under computer processing, the categories "custom built programs," "package programs" and "time hire" are now each broken down into local batch, remote batch and interactive. The amount of work done under "professional services" now has five entries instead of two, and "other" becomes less vague with delineations of facilities-management, sale or licence of software products, education and training. The data preparation, remote access and unclassified categories remain.

This "type of work" analysis is applied five times over separate "type of customer" headings, namely public service clients, other U.K., foreign, parents/associates, and net outside billings.

The latter categories get over the problem, voiced in a number of quarters, that it has not been possible to differentiate between work carried out for other parts of the organisation in large companies that have an in-house bureau, and work won from "genuine" outside clients.

● BUILDING TECHNOLOGY

Pipelines protected

IMPERMEABLE to ground water a new jacketing material for steam and liquid pipelines, is marketed under the trade name BIPRO.

The material is extremely suitable for use in long-distance pipelines, which must be insulated to prevent heat loss and protected against corrosion.

The jacketing material is manufactured from an emulsion of bitumen and fine particles of vermiculite. In addition to its excellent insulating and waterproofing properties it has thermoplastic properties, so that the pipeline, with expansion curves, T-joints, etc. can expand and contract adequately without tearing or bursting the jacketing.

The pipe jacketing is supplied in standard 6 metre lengths and for pipe diameters from 1 to 14 inches. The wall thickness of the material can vary from 4 to 7 centimetres.

Continental Piping BV, Wilhelminastraat 101, St. Jansteen, Holland.

Insulation effects to be studied

TO FIND OUT how people will react to the more efficiently insulated homes envisaged in the next three or four years, British Gas is to back an energy study by Newcastle University to be carried out at a new local authority housing development at Washington New Town in which special attention has been paid to heat conservation.

The project, known as "Glebe 5," will involve monitoring the varying gas central heating requirements of a group of seven families in a terrace of four-bedroom houses now being built in Glebe Village, Washington.

Special design features include a double the norm roof void insulation of 4 inches (100 mm) glass fibre, between the joists, that will also be included in the front and rear cavity walls during construction.

Building work is due to finish within the next few months, and the study programme is expected to start in the early autumn, and will last up to three years.

Explaining the reasons behind the new study, Mr. G. Pickup, Heating Division Manager of British Gas's Research Station at Watson House, Fulham, said it was essential to get more information on how gas central heating systems function in houses that are highly insulated. Last year, new building regulations improved insulation in buildings, and it is anticipated that there will be further improvements in the next three or four years. This means, for instance, that a typical three-bedroom semi which required a 12 kW output boiler in the past only needed 8 kW after last year, and according to present calculations this may be reduced to only 4 kW in the future.

These investigations will help Watson House to determine the design features needed for gas central heating systems and appliances in houses of the future.

Brickwork takes a new shape

ARCHITECTS WHO like brick finishes but find that the required shapes cannot be achieved will be interested in two services provided by Ibstock Building Products.

Through its technical services department the company is able to offer advice to specifiers on how complex architectural features can be achieved by the use of tailor-made special shapes. Facilities are now available at each Ibstock factory for the manufacture of bricks in a wide range of special profiles, but the most important development is the forming of brickwork panels in a variety of shapes which could not be built on site using standard bricklaying methods.

The bricks are laid to the shape required in formers and then backed with cast concrete.

Details from Ibstock Johnsen, Leicester Road, Ibstock, Leicester, LE6 1HS (0530 60531).

Marble cut at faster rates

A NEW method of stone recovery has evolved from a joint development venture by a Belgian diamond toolmaker and a German machine manufacturer. The result is a completely *new kind of chain saw in which* segments impregnated with 18/25 US mesh De Beers EMB natural diamond are used instead of conventional tungsten carbide cutting elements.

Designed and developed jointly by Diamant Boart SA and Koffman GmbH, the new machine cuts to a maximum depth of 3m and is claimed to produce quarried blocks of more suitable shape and dimensions than those resulting from the use of more conventional methods.

According to the results of tests on Belgian, crystalline Swedish and Carrara marbles at chain speeds of 20 m/s, the machine is capable of cutting at 3 to 5m²/hr. A single operator only is required together with a second man to relay the rails in the path of the machine as it advances, and as 90 per cent. of the total operation time can be spent cutting, the machine can produce some 25 to 60m² of output per eight-hour shift.

Further from the group on 0990 23456.

Insulates solid-wall houses

FOR THE owners of Britain's 11m. solid brick wall houses, who have been hit by rising fuel costs because their homes are difficult to insulate to to-day's standards as they were built before cavity wall construction and cannot be foam-filled, Evode has got together with British Gypsum, manufacturers of Gyproc thermal insulation board, to develop a method of insulation which is not only for the professionals but within the scope of the capable DIY home owner.

Gyproc thermal insulation board can be fixed direct to *sound plastered walls rather than* battens using a specially developed adhesive, Evo-Stik 863 foam polystyrene adhesive, which creates a strong bond between the plaster and the polystyrene back of the board.

Fuel bills are reduced in two ways: firstly by the direct reduction by more than half of the heat lost through the wall and by the speed at which a room responds to heating.

Evode, Technical Service Department, Common Road, Stafford ST16 3EH. Stafford (0785) 3191.

Air cushion roof slides to open

A DUTCH company has developed a folding air cushion roof, consisting of a double polyester-reinforced plastic fabric coated with polyvinyl chloride. The top and bottom of this are attached to a number of lightweight rafters, which can move together or apart via a rail system. The sides of the rafters are mounted in beams, in which they can move on wheels.

The particular feature of this special roof is that it can be filled with air and when closed seals hermetically the top of the space beneath it. The roof opens and closes in concertina fashion, with the advantage that little storage space is required when the roof is open. Beams at the side also contain provisions for rainwater drainage.

The roof is opened by first extracting air from the sections and then pushing the rafters with the plastic membranes between them, together into a relatively small storage space. The roof is closed by pushing the rafters apart, so that the plastic fabric becomes taut, after which a slight excess pressure of air is *created in the roof* with the aid of a fan, resulting in a slight rounding of the plastic segments.

This gives an attractive appearance and the entire structure is strong, resilient and resistant to all weather conditions. Air cushion roofs are supplied in a fully automatic version with an electric motor and reduction gear and with push-button operation.

This folding air cushion is the subject of patent applications in a number of countries by Alben BV, Postbus 44, Wageningen, Holland.

HOME NEWS

Soames calls on Europe's Tories to back Centre

PETER HENNESSY, LOBBY CORRESPONDENT

CHRISTOPHER SOAMES, Commissioner for External ... speaking in Hampshire ...urday, called for the Con...ive Party to join with other ... of the Centre in Europe ...in a coalition to dominate directly-elected European ...ment which is due to ...ble in 18 months.

...new Parliament would ...he balance in Community ...tions, he told a meeting of ...Conservative Group for ...e at Whitchurch. At ...it national views expressed ...e Council of Ministers ...ed more heavily than the ...ons of the Commission or ...presentations of the Euro... Parliament.

...our cherished tradition of ...n Conservatism is to make ...ontribution that it should ... future politics of Europe, ...l only be by way of its ...ipation in an effective ...sation of the Centre join... s with the traditions of ...parties and other nations. ...believe that we of the Centre have more of what it takes to run a working European coalition than the various social democratic, Marxist or Communist forces of the divided Left," he said.

Sir Christopher, whose term of office in Brussels ends this year, is looking for a constituency to enable him to return to British politics at a General Election, or at a by-election in the meantime. He is tipped in some Tory circles as a possible Foreign Secretary.

He also said at the Whitchurch meeting that Centre parties in Europe had sufficient political philosophy in common to cohere successfully. He mentioned adherence to the social market economy, and a devotion to social unity which superseded laissez faire.

Sir Christopher took pains to reassure those who feared usurpation of national sovereignty that the EEC was still a long way from becoming a "United States of Europe." The Council of Ministers, which reflected national interests, would dominate for some time to come.

But it would be a profound error to see community and national interests as incompatible. The Community represented the highest national interest of each member-State. Direct elections would help create an enriched European perspective by engaging the imagination of individuals as "citizens of Europe."

Addressing the same audience Mr. Douglas Hurd, Tory spokesman on Europe, said direct elections would allow the House of Commons and the European Parliament to become "the two pincers of democratic control." Each would ensure that Community decisions reflected the need of Britain and Europe as a whole.

Mr. Alex Fletcher, Tory MP for Edinburgh North and a member of the European Parliament, called on Saturday for establishment of a Scottish Council in Europe.

London 'needs more new rental housing'

BY JAMES McDONALD

LONDON'S skilled and economically active population had dropped "disastrously" in many areas over the years, declared Mr. Richard Balfe, chairman of the housing development *committee of the Greater London* Council, on Saturday.

There was no answer to be *found in selling council houses.* London local authorities needed to maintain a vigorous and *continuing programme of building* for rental to help match the decline of the private rented *sector.*

But local authorities must design a strategy for the poorer potential buyers, he told a GLC policy conference.

"Mortgage funds must be used more selectively and concentrated in London's stress areas."

"Local authorities must also sponsor buildings for sale for those who are already tenants who wish to move, and for people on waiting lists who wish to buy and can afford this option.

"*Building society money must* be sought and councils and the GLC should use their mortgage *fund to sponsor this building.*

"If London is to be economically and socially regenerated we *must adopt a universalist* approach to housing and institute strong central planning into *the allocation of scarce housing* resources.

"Building for sale to those in *need is an important part of a* 'socialist for London' strategy: it deserves your support," he told *the delegate regional council* conference.

Several discussion papers on *transport, finance, education and* housing — prepared by the Greater Regional Council of the Labour Party—came before the conference. Following the exchange of views arising from Saturday's conference, the regional executive committee will formulate its policy document for the GLC election in May next year.

DEVELOPMENT IN NORTH SEA PRODUCTION

Beryl Field discharges first oil for shipment south

BY RAY DAFTER, ENERGY CORRESPONDENT

THE BRITISH offshore oil industry has taken further steps in the build-up of North Sea *production.*

Matco Avon, an 80,000 dwt tanker, specially adapted for the *North Sea's worst winter con*ditions, has taken on board the first cargo of crude oil from the *Mobil Group's Beryl Field.*

At the same time, another tanker, Esso Warwickshire, has *begun loading trials at Shell/* Esso's Brent Field before production start-up in the next few weeks.

The first oil from the Beryl Field flowed into the concrete storage cells of the Beryl A production platform in June. The cells are capable of holding nearly 1m. barrels of oil.

Although the operators experienced initial technical problems, production is now running at a rate of about 18,000 barrels a day from the two wells. The rate is due to build up to 40,000 b/d by the end of the year rising to 80,000 b/d next year. The field has estimated recoverable *reserves of about 500m. barrels.*

The drilling of 40 wells is planned from the Beryl A plat*form over the next two years* giving a daily rate of production of up to 100,000 barrels.

The development of the field has cost £240m., invested by Mobil as operator with a 50 per cent. stake, Amerada Petroleum (20 per cent.), North Sea Inc. (Texas Eastern) with 20 per cent. and British Gas (10 per cent.).

The *first cargo of crude,* carried by Matco Avon, is being delivered to Mobil's refinery at Coryton on the *Thames.* A second 80,000-ton vessel, Matco Thames, which is now berthed *on the Clyde at Glasgow, is due* to go into service later.

It is envisaged that the Beryl Field will be totally developed by offshore loading and tanker shipment to shore. The Shell *and Esso group, which is deve*loping the Brent Field, plans to use the tanker loading system *as an interim measure before* the Brent Pipeline System, linked to the Shetland Islands, is commissioned.

Brent, with an estimated 2bn. barrels of reserves, is the largest *U.K. offshore field to be deve*loped. As with Beryl, the field will be serviced by two tankers *the Esso Warwickshire and the* Drupa. Eventual production is expected to rise to well above *500,000 barrels a day.*

Although weather conditions are deteriorating, hampering *development work, the Occidental* Group is hopeful of bringing on stream its Piper Field by *the end of the year. This will mean* that by January Britain should have seven of its 14 commercial *oil fields producing oil and will* still be on course for energy self-sufficiency by 1980.

Other Home News on Pages 36 and 39

Warning on Russian military threat

PETER HENNESSY, LOBBY CORRESPONDENT

...IAN GILMOUR, Conservative spokesman on Defence, said ...day that freedom was ...threat from the rapid and ...ned growth in the military ... of the Soviet Union and ...Warsaw Pact.

...Gilmour called on the Gov...ent to review its trading ...es towards the Soviet bloc. ...l not make sense for the ... to sell foodstuffs, techno... *and credit to the Soviet* ...at cheap rates to allow it ...ild bigger and more expen... *...ombs.*

...promised in a memoran... to the officers of the Conservative Defence Committee, that a future Tory Government *would give defence the priority it deserved.*

There was a case for saying that Britain's security was threatened as it had been in the 1930s, he said.

Mr. Gilmour's sentiments will be echoed to-day by Mrs. Thatcher in a speech to the *Australian Liberal Party in Can*berra. She will say that socialist "liberation" in the Soviet Union *has destroyed the modicum of* freedom the Russians enjoyed under the Tsars.

Single figure inflation 'next year'

THE GOVERNMENT *aimed to* get inflation down to single figures by the end of next year, Mr. Roy Hattersley, *Prices and* Consumer Protection Minister, said in Birmingham at the week-end.

"During the next year we have got to do something like we did last year—I doubt if the inflation rate will be halved again, but we should get it down *to single figures in 1977."*

The rate should then fall into line with other competing *countries, Mr. Hattersley said.*

The Government's claim was backed by the Henley Centre for *Forecasting, which reported that* the gap between Britain and its rivals would continue to be cut.

Road users urged to lobby MPs

ALL ROAD users should send their views to their MPs to *ensure that their interests do* not go unnoticed before Britain's future transport policy *is finalised, said Sir* Clive Bossom, chairman of the Royal Automobile Club.

Writing in *the RAC's annual* review *of its public affairs* activities — "Protecting the *Interests of the Motorist*"—Sir Clive points out that road expenditure has already been the *target of cuts by successive* governments, but that many attempts by national and local governments to raise the already high cost of motoring had been vigorously and successfully opposed by the Club.

"Equally important is the need to persuade the Government to provide more benefit to road users *in return for the* immense taxes they pay, especially at a time when *successive cuts in public expendi*ture have delayed construction of so many urgently required *new highways."*

● On Saturday, disabled drivers, angered by the *Government's decision to phase out* invalid tricycles without a "satisfactory" alternative, were *asked to start a campaign* to seek public support for their demands. Delegates at the annual conference of the *Disabled* Drivers' Association at Essex University were asked to *collect 6m. signatures for peti*tions to the Government.

VAT 'colossal blunder'

Financial Times Reporter

VALUE Added Tax was a "colossal blunder based on a monumental misunderstanding" *which had brought misery* to tens of thousands of small traders and independent workers *in Britain, and abroad.* Mrs. Teresa Gorman, honorary secretary of the Association of Self-*Employed People, said in Glou*cester yesteday.

She called for a simplification of the administration of the tax and said that this would produce more net revenue for the Government and remove the cause of deteriorating relationships between Customs and Excise—who administer the tax—and the business world.

Council complaint against newspaper rejected

THE IMPLICATIONS of a headline in the Sunday Sun, New*castle, could have been avoided* had the newspaper clearly explained the conditions under which allowances could properly be claimed by councillors, the *Press Council said yesterday.* But replies published the following week served to clarify the *situation.*

The Press Council rejected a complaint against the newspaper *brought by Councillor M. Camp*bell, leader of Tyne and Wear County Council, who said the *article gave the erroneous im*pression that county councillors were simultaneously drawing allowances from two authorities.

The following week the newspaper gave five columns to the councillors' replies.

A statement from Councillor Sir Maurice Sutherland, leader of the Cleveland County Council, was published with the first and last paragraphs omitted. The editor said that they had been deleted on legal advice.

The Press Council's adjudication was in part: "Sir Maurice *should have been informed that* the cuts were necessary on legal grounds. The complaint against *the Sunday Sun is upheld to this* extent."

MP hits 50 mile 'betrayal'

...LEON BRITTAN, *Conserva*... MP for Cleveland and ...by, yesterday criticised Mr. ... Brown, Junior Scottish ...Minister, for his statement ...berdeen on Friday that the ...rnment had no chance of ...ing a 50-mile limit for ...sh fishermen under a re...ged EEC Common Fisheries ...y.

...called Mr. Brown's reported remark that we had not "a hope in Hell" of achieving this a "disgraceful betrayal."

"Although we do not have a theoretical right of veto, if we made it quite clear that this was of essential interest to this country, I have no doubt that our Common Market partners would go along with our needs."

● Mr. William Whitelaw, Deputy Leader of the Tory Party and its *spokesman on home affairs, has* urged the Government to spend money on recruiting more police *and improving their career pros*pects.

Speaking at Grimsby at the week-end, he said: "The police force are 10,000 officers short. In London at present there are 400 *fewer policemen than in 1921,* even though the crime rate is now 20 times higher.

Building and Civil Engineering

Big Sudan project goes ahead

THREE new building contracts (worth the equivalent of over £26m.) have been awarded by the Rahad Corporation of Sudan, following the advice of consulting engineers Sir M. MacDonald and Partners of Cambridge, who are project consultants for the multimillion pound Rahad Irrigation Projects, which covers 120,000 hectares in an undeveloped area between 200 and 300 km. south of Khartoum.

Two of the contracts, worth approximately 2.5m. and 12.4m. Sudanese pounds have been awarded to a consortium consisting of Six Construct International and Saudi Sudanese Engineering Company and the third contract worth approximately 1.6m. Sudanese pounds was won by the Public Corporation for Buildings and Construction. Work on all three contracts has already started, completion being expected in 22, 45 and 17 months respectively.

The buildings comprise offices, workshops, stores and housing both at the project headquarters township and at three smaller group headquarters. Associated water supply, roads and sewerage are included in the contracts, together with m and e services *in the buildings.*

Sub-consultants for planning and architectural services are the Shankland Cox Partnership and quantity surveyors are James Nisbet and Partners, both of London.

Power plant in Nigeria

CONSTRUCTION of the first stage of a new £15m. power and communications system for the Chad Basin Development Authority in Nigeria's Borno State is expected to begin late this year.

Following international tendering, a contract for power station electrical and mechanical plant has already been placed. Tenders for transmission equipment, building and civil engineering works have been lodged with the Authority and negotiations with contractors are proceeding. A contract for telecommunications and an irrigation monitoring system will be issued for tender shortly.

The new Marte power station and transmission system have been designed by British consulting engineers, Mott, Hay and Anderson International, a member firm of the consulting *engineering group MRT Consulting* Engineers (Nigeria). The electrical power and telecommunications systems form part of the major South Chad Irrigation Project for which another MRT member firm, Sir M. MacDonald and Partners, is acting as project leader.

The power station will be situated 120km. north-east of Maiduguri and 30km. south of Lake Chad, about 300 metres above sea-level. When it is completed in two to three years' time the station will have a generating capacity of approximately 26 MW.

£6m. won by Wimpey Canada

TORONTO office of George Wimpey, Canada, has recently been awarded seven contracts valued at over £8m. for estate development and site preparation work in Toronto.

The two largest are for Lynden Hills Estate, in Brantford (£1.7m.) and Belmont Construction Company, in the town of Whitby (£1.8m.). The Hart Lake Development stage 111 at Brampton for consolidated building corporation is valued at £920,000 and Markborough Properties for the Meadowvale Town Centre at £747,000.

Brislington houses by John Laing

TRIANGULAR section houses, designed to maximise the use of internal space, are being built at Brislington, south east Bristol, where the city council have awarded a £750,000 contract to the south west region of John *Laing Construction.*

Work has just started on the project of 96 houses, bungalows and flats at West Town Lane and Laing has a year to complete the job.

A third of the scheme is for the elderly and they will live in *single-bedroom, two-person* flats with electric central heating, and have extensive communal facilities including laundry, common room with kitchen, sitting out area and a guest bedroom. There will be a warden's office and flat.

Designed by the Bristol office of the Percy Thomas Partnership, these homes derive their distinctive appearance as the end and dividing walls carry on down to the ground as an extension of the roof slope.

Drum plant in Tehran

THREE MACHINES for drum making are being supplied to Iran by Moon Brothers, Beaufort Road, Birkenhead (051-652 1527). They will be used by the Tehran Water Board for the production of 30 litre drums, required to package caustic soda.

Drum bodies will be flanged on a model GF flanger. A model 2TP press will be used for drum end production and the ends will be seamed in place on a model PR seamer.

The company says it has found an "encouraging demand" for both can and drum making machinery and silencer making equipment in Middle East countries.

Willment in Carnaby Street

A £2¼m. contract for a Carnaby *Street, London, development of* shops, offices and flats brings the total value of contracts won by Willment's in the past three months to £11m. plus.

Work on the London Electricity Board site commences September 20 and the scheduled period of the contract is 80 weeks. Willment's Excavation Division recently completed a separate £¾m. contract for site preparation.

Client is Electricity Supply Nominees and architects are Douglas Marriott Worby and Robinson and Stanley Peach and Partners.

Last words on HAC

THERE ARE few structural members in HAC concrete which cannot be regarded as safe or do not have a proper margin of safety. They can be damaged by chemical attack and in general it is the longer span roofs with isolated members that may have a potential structural weakness *and where there may also be a* danger in the long term from penetration of water leaching through injurious chemicals.

These comments from a working party of the Institution of Structural Engineers preface what it is hoped will be the final set of guidelines for the appraisal of structural elements in high alumina cement concrete.

They are published in the September 1976 issue of the Institution's Journal "The Structural Engineer" and recall that when the report of a sub-*committee of the DoE Building* Regulations Advisory Committee was published in 1975 (with Appendices, the last of which became available in April 1976), a recommendation was included that the Institution should further investigate and publish technical guidance on such matters as loading tests, in situ tests of concrete strength and shear resistance—items not covered by the sub-committee report.

The guidelines now published give advice on these matters, emphasising that the philosophy adopted has been developed to deal with a particular need. It must not be considered as a precedent, for any investigations other than those covered by the report of the BRAC Sub-Committee and no deductions should be made as to the theoretical design of reinforced or prestressed concrete.

£6½m. for opencast coal works

A. F. BUDGE (CONTRACTORS), of Retford, have been awarded the Biggin South contract by the National Coal Board Opencast Executive No. 2 Region at a price of around £2¼m.

The two-year contract is for *the extraction of 200,000 tonnes* of coal and the subsequent reclamation of the 150 acre Biggin South area in Co. Durham.

This is the second opencast contract awarded to Budge in this region in the past few months. The first at Esh-Win-*ning, one mile away and worth* £4m., was opened in July and has been in full production for some weeks.

First move to improve Java port

DESIGN OF the first phase of an improvement scheme at the port *of Surabaya in Java is to be* undertaken by Rendel Palmer and Tritton.

The work, commissioned by the directorate-general of Sea Communications, Government of the Republic of Indonesia, includes site investigations and clearance, design of quay walls, planning of services and back-up facilities and the preparation of specifications and contract documents.

Assisted by Rendel and Partners in Australia, the U.K. firm expects designs and documents to be completed in 18 months. The project is sponsored by the Asian Development Bank.

Tarmac in £2½m. jobs

CONTRACTS worth altogether over £2m. have been won recently by the Midlands Area office of Tarmac Construction.

The largest is a 14-month scheme to erect a three-storey nursing home at Tettenhall, Wolverhampton, which will accommodate 40 patients. Under the contract awarded by Nuffield Nursing Homes Trust, Tarmac is also building a two-storey staff hostel, a *matron's bungalow and* site roads and associated services. Total value of the work exceeds £1,180,000.

At Stafford, Tarmac has secured a job worth nearly £¼m. for preparation works at the site of a new hospital being planned by Building Design Partnership in association with West Midlands Regional Health Authority.

Two drainage schemes for Telford Development Corporation worth between them £630,000 complete the package—one at Crow Brook and the other at Ironbridge.

Contract housing section has been awarded a job worth nearly £557,000 for modernising more than 200 council houses at Priory Estate, Dudley.

Awarded by Dudley Metropolitan Borough Council, it involves extensive structural and service alterations, together with modernising kitchens and constructing or modernising bathrooms.

Fairclough work for the North

THREE NEW contracts totalling just under £1m. have been awarded to Fairclough.

For D. and F. Steels, of London the Sir Lindsay Parkinson North East Building Division of the Fairclough Group is to prepare ground works for a new steel stockholding warehouse and offices at Stourton, near Leeds at a cost of £500,000.

The same division has a contract with the Leeds City Council for the design and construction of a residential centre for mentally handicapped adults at Hunslet Hall, Leeds. The centre, of traditional construction, will be completed at a cost of about £180,000.

In Glasgow, the Fram Construction Division of Fairclough is to carry out alterations and extensions to the brewhouse of Tennent Caledonian Breweries Ltd., at a cost of £250,000. Work will begin later this month.

IN BRIEF

● A contract worth £600,000 has been awarded to Biwater Treatment Co. of Mill Lane, Holmwood, Dorking, Surrey by the Blantyre Water Board of Malawi. The contract requires the provision of rapid gravity filters, sedimentation tanks and chemical treatment plant as extensions to already existing facilities at the board's Walkers Ferry and Mudi water treatment plants. The extension will increase the capacity of each of the two plants by 4m. gallons per day. Consult-*ing engineers for the project are* Sir Alexander Gibb and Partners.

● Trollope and Colls is to construct a six-storey office block with a single basement at 68, Cannon Street, London EC4 under a contract worth approxi-*mately £729,000. Architects are* Fitzroy Robinson and Partners. The building will be founded on deep-bored piles.

● A £1.3m. contract for advanced earthworkers for the proposed Sandwich By-Pass has been won by Mears Construction. *Awarded by the Kent County* Council, the work will involve importing 300,000 cubic metres of shale from local collieries to form two embankments together measuring 2.1 km in length. During construction of the embankment, Mears will be installing over 200 special monitoring instruments to record ground movement through a special read out system. The Kent County Council anticipate considerable settlement in the poor silty clay ground conditions.

● CONCRETE Society, in association with the Royal Institution of Naval Architects, is presenting a two-day symposium, "Concrete Ships and Floating Structures 77," at the Cumard International Hotel, London, on March 3 and 4 1977. A concrete-hulled ship first sailed across the Atlantic in the year of Alcock and Brown's first transatlantic flight. Since then aircraft development has progressed from the Vickers Vimy bomber to Concorde. But though during the past decade or two, the development of prestressing has markedly improved the suitability of concrete for *ships and floating structures,* interest in this use of concrete has only recently revived.

● Alexander Hall and Son (Builders) has been awarded a contract by Lothian Regional Council for several works in the erection of a two-storey exten-*sion, link bridges,* boiler house and extensive alterations to Longniddry Primary School at East Lothian. The value of this contract is £432,361.

● As part of continuing expansion, Lovell Construction has formed a new company which will specialise in the eradication of dry rot, woodworm and rising damp. Lovell Specialist Treatments will not only offer a full treatment service but will, in addition, carry out any necessary building work.

● A testing laboratory for structural building components has been opened by Rainham Timber Engineering Company (RTE), Phoenix House, New Road, Rainham, Essex RM13 8BX, a member of the Phoenix Timber group. Suitable for applying loads to components in timber, concrete, steel or any other building material up to 18.3 m (60 ft) long, the test rig is available for use by customers outside the Phoenix Timber group who wish to test their own products.

The Executive's and Office World

EDITED BY JOHN ELLIOTT

LARY SURVEY

BY NICHOLAS LESLIE

Differentials narrow sharply

UBSTANTIAL erosion in v differentials has been d by the Pay Code, accord- o a survey just published laries among several hun- thousand U.K. employees. result. it says, the higher have suffered most in terms fall in real earnings. For ple, someone currently £16,080 would be almost r cent. worse off as a result flation than when he was ng a £10,000 salary five . ago.

e survey was carried out by MSL, the management con- nts. among 245 of its client anies where its own system b evaluation is in use. The ltants observe that there thing new about eroding entials, but that what is is the rate of that erosion, the fact that it is being ght about not by the lower becoming better off so as by a significant fall in eal income in the higher " The 1976 Finance Act so is fringe benefits are con- d will further affect the tion and will increase the ulty of rewarding respon- ty and high performance in rial terms. it is stated.

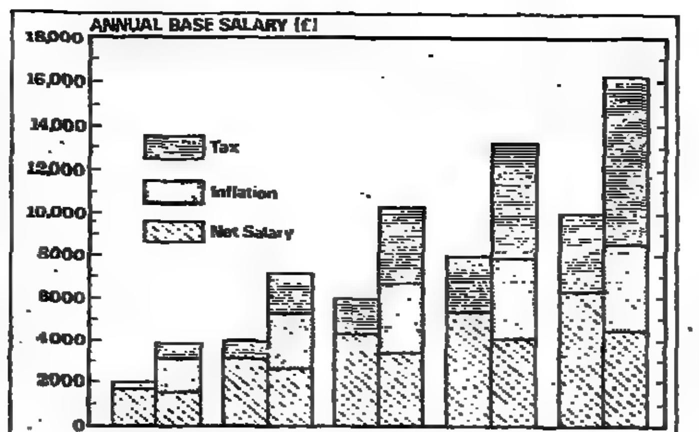
ectors

other differential which MSL feels has been subject ange is the difference in etween different sectors of oyment. The consultants t is evident that pay for gement and technical jobs dustry is lower than that jobs of similar responsi- in other sectors—and the ence is increasing. "This contrast to the position found in other western economies, and should be of national concern."

Analysing the effects on salary differentials, the survey states that in 1976 the ratio between a married man with two children earning £14,000 gross and his counterpart earning £3,800 is 3.7 (in very broad terms this would be a comparison between the director of a medium-size company or the production director of a large multi-plant company at one end of the pay scale and a foreman or senior clerical supervisor at the other). In 1975 the ratio was 4.1 and in 1971 it was 4.3.

After tax, with the interaction of steeply progressive margin taxation and a high rate of inflation, the ratios are 2.7, 2.9 and 3.4 respectively.

As a broad guide to salary movements over the past five years and the position in relation to the movement in retail prices, Hay-MSL has drawn up figures covering five grades of job, according to its own job evaluation system. Thus, a job worth 325 units under its system (say, a senior foreman earning £2,000 a year in 1971) would have received a 91.5 per cent. salary rise in the five years to 1976. An 800 unit job (a department manager in a company or a provincial branch bank manager) earning £4,000 in 1971, has received a 78 per cent. pay rise over the same period. The works manager of a large company (1,270 units) earning £6,000 in 1971 would be earning 72 per cent. more in 1976, while a director of a particular function within a company (1,740 units) would have seen his salary rise 65 per cent. from £8,000 in 1971. At the top, the managing director of a medium size company on £10,000 in 1971 would be earning 60.8 per cent. more to-day.



The graph illustrates the fall in real earnings in different salary bands over a five-year period for a married man with two children.

However, in the same period, retail prices have risen by 94 per cent., which means that all categories are earning less in real terms. In fact, the first four categories started to slip behind in terms of real earnings progression in 1974, while the top category person in the director level has been failing to keep ahead of retail prices since 1972.

The consultants state that a further effect of a series of incomes policies has been the pressure to substitute automatic increments in place of increases dependent on performance. But while automatic increments "may be suitable for bureaucratic structures which have long vertical heirarchies of jobs which enable the performer to be rewarded by promotion, they are much less suited to the open market place of industry and commerce and to medium size concerns where there are limited promotion opportunities."

Drawing on the experiences of the companies within the survey, Hay-MSL says that the pressures of the recent past have been towards central control. towards smaller increases in salary for additional responsibility and better performance, to more collective bargaining higher up the salary structure and towards a discounting of extra payment for risk taking or risk employment.

Among the companies surveyed 73 per cent. reviewed their salary policy on the normal review date in 1975-76 and 78 per cent. implemented across the board increases in salary of £312. Cost of living or index-linked payments were made by 23 per cent. of the organisations and 16 per cent. gave equal-pay rises. Eighty per cent. reported that they normally incorporated personal as well as a general element in salary rises and 93 per cent. said the personal element was performance related.

The number of participating organisations recruiting graduates during the year in question was slightly up at 47 per cent. compared with 42 per cent. the previous year, but still below the 50 per cent. of three years ago.

Graduate pay

Average minimum starting salary among the 92 companies recruiting those with ordinary degrees was £2,600 (compared with £2,200 the year before), and the maximum £2,850. The ten companies recruiting MBAs paid a minimum £3,300 (£2,975 starting salary the previous year) and maximum £3,860, while among the 26 companies recruiting PhDs the mimimum was £3,300 (£2,800 starting salary the previous year) and maximum £3,530.

Given the pay policy operative until next August which will result in a further erosion of differentials, Hay-MSL sees companies over the next 12 months having to consider other methods of retaining and stimulating competent staff, such as increasing job interest and variety. Also, ways of increasing job security may need to be examined and individuals given the satisfaction of more advisory participation in the make-up of their total reward packages.

Companies fail to create strong identity

SUE CAMERON

TECHNIQUES that man- ents are using to give loyees a stronger sense of pany identity are old- ioned and are largely in- tive according to a study of rnal communications by ers Perrin Forster and by, a management consult-

le study, which was pub- d this week, is based on a y of 30 large concerns— ding nationalised indus- —in both the U.K. and

It shows that many com- es are still using traditional s of communication includ- notice boards and booklets ad of trying more modern and effective methods such as audio-visual aids or information "hot lines" that go directly to the workforce.

All those who took part in the survey said they thought the overall objective of internal communications was to make employees identify more closely with their companies. Yet the area in which participants were least successful was in communicating corporate policy, plans and information on company performance to their workpeople.

The most frequently used method of communicating corporate policy was a "pop" version of the annual report but this was not found to be very effective. The study suggests that company "glossy magazines" have little appeal for most employees. Far better results were obtained by publishing locally relevant news sheets — but few organisations did this.

Other little used but effective methods included management newsletters explaining policies and results, briefing sessions for both managers and employees by the chief executive, training in communications techniques for managers and supervisors, and individual statements to employees giving annual net pay plus information on pensions and other benefits.

When it comes to employment policies and procedures, the survey found that most companies relied on meetings with individuals or small groups —which were shown to be moderately effective — and on notice boards and house newspapers which were not effective.

The area in which participants were most successful was in communicating pay and benefits. Individual pay statements were used frequently but rarely included indirect pay benefits such as pensions. Written communications, including letters to employees' homes, were also effective although not used very widely.

The survey found that arrangements for enabling workpeople to complain, make suggestions, or ask for information from the management were usually informal and unstructured.

"We would comment that however effective an organisation's formal communications system may be, its continuing success depends on the extent to which managers and supervisors at all levels understand that a major part of their job is communicating — and this includes listening."

The consultants also asked about the role internal communications might play in moves towards greater worker participation or worker consultation. Most companies were far less enthusiastic about participation than about consultation but they thought participation was inevitable and that they ought to be reviewing their communications systems in preparation for it.

Some felt that "a satisfactory degree of participation and involvement should follow logically from effective communications without the need for pressure or legislation." But the majority were trying to improve existing communication channels to their workforce particularly on financial information about the company.

EXECUTIVE HEALTH

BY DR. DAVID CARRICK

Precautions which make air travel comfortable

IN MY PREVIOUS article I outlined certain statutory as well as merely sensible, health precautions to be taken by those travelling abroad for enjoyment or business.

As most people fly these days, a degree of planning is desirable to ensure as little discomfort as possible before, during and after the journey. Some people have a fear of flying (grandly termed aerohodophobia) and I see a remarkably high number of them each year. Although the safety-record of most airlines is excellent, such knowledge in no way reduces the mental torment of the sufferer before take-off and landing. As a veteran pilot of too long ago I yet have sympathy for such people and have not forgtten the old RAF aphorism:

"Fools and birds fly by day, But only fools by night."

It is useless telling these unhappy patients "not to worry," so I usually prescribe a sedative such as Phenergan which not only reduces mental tension but is a valuable anti-emetic for motion sickness of any origin.

". . . caused his vertical take-off."

Thought should be given to clothing. Loose-fitting garments are advisable in the sardine-like packing of people in many aircraft, especially those used for short flights. Shoes should not be tight nor socks elasticised as, owing to the static pose enforced on one for lengthy periods, swelling of ankles and feet is likely to occur in many people, particularly those with a varicose vein problem. Also it should be remembered that temperatures at staging posts or destinations may differ greatly from that at the take-off point and in the air-conditioned aircraft. I well remember one cold, sleety February flying to Singapore. One staging-post was Gan, a small island in the Maldives. On leaving the 70 deg. F. of the cabin, we were hit by 127 deg. F.—and it was raining hot rain. Yet I did not learn. Ten days later, suitably attired for the Far East, I returned home to be withered by the east wind which hurled sand-hard snow at me. Changing one's clothes in miniscule BR train lavatories on the way home is not an entertaining pastime.

Jet-lag is a problem associated with long E-W or W-E flights. It is due to an upset of the circadian rhythm or body-clock which cannot alter its time just because foolish man does so artificially. The body runs at full speed by day but idles at night. By upsetting this rhythm, the body's owner tries to force it to perform at full power while it is still idling. The result is confusion, memory disturbance and, sometimes, bizarre behaviour. Not uncommonly these symptoms are only noticed by the traveller on returning home but this does not mean that they were absent in the far-off land: he may not have noticed them simply because, as he was in a strange land with unusual customs, etc., he expected to be confused and thus was unaware of any abnormal behaviour. Two days' rest after such a flight is advocated, but that is an arbitrary figure and may be inadequate for some individuals who take up to a week to recover.

This problem only affects long-distance, latitudinal jet-travellers, but passengers on any air journey may be affected by alterations in cabin pressures which can be jerky, notably during descent. If one has a cold, these sudden changes may cause blockage of the Eustachian tubes which protect the eardrums. Sudden occlusion of one tube can cause pain, temporary deafness, vertigo and vomiting. Ideally one should not fly when suffering from colds or catarrh. If unavoidable, the use of smelling salts is helpful in warding off trouble.

There is but one side-effect: a zealous official may believe you are carrying a small bomb. This really happened to me in Switzerland where a grim-faced young man held my small bottle at arm's length and demanded: "Was ist das?" Removing the cap I shoved the bottle under his nose which caused his vertical take-off. Excited, he took the bottle and, creeping behind his colleagues, put it up their noses which led to stern men and women leaping up and down all over the place. I left them to it—but I never saw my salts again.

Business books

Drucker: The Man Who Invented the Corporate Society, by J. J. Tarrant. Barrie and Jenkins, 24 Highbury Crescent, London N5 1RX. £6.75. A study of Drucker's work, his influence, and his place in the business world and in society.

Social Issues in Business, by F. Luthans and R. Hodgetts. Collier-Macmillan, 35 Red Lion Square, London, WC1R 4SG. £6.00. The second edition of this work has been updated with current readings and cases, new chapters on ecology and consumerism and new or expanded sections on the oil shortage, business ethics, social responsibility, sex discrimination, women in management and social audit.

Metal Box: A History, by W. J. Reader. William Heinemann, 15-16 Queen Street, London, W.1. £5.00. The book was commissioned by the Board of Metal Box, and the author was given a free rein.

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MONDAY, SEPTEMBER 20, 1976

Attack is the best defence

MANY PEOPLE reacted to the recent proposals from the Labour Party National Executive Committee to nationalise the banks and insurance companies with a feeling of weary resignation, disappointed that yet another set of half-baked ideas should be put forward as policy proposals, but confident that they would never be implemented — if only because any political party which included them in its manifesto would lose the election. The assumption has been that even if the proposals were approved by the Party Conference, Mr. James Callaghan and his "moderate" colleagues could somehow fudge the issue by a face-saving formula, such as a promise to consider nationalisation as part of a full-scale review of the country's *financial system.*

Substitute

There are, however, serious dangers in such a passive reaction. Quite apart from the fact that internal bargaining within the Labour Party can sometimes produce substitute proposals which are almost as damaging as the original version, the errors and half-truths of the NEC document *demand to be answered in* a way which carries conviction not merely in the City and in industry, but in the country at large. Any organisation which puts forward claims and asser*tions as ill-founded as those con*tained in the NEC document should be made to look ridiculous. If the ridicule rubs off on the Labour Party as a whole, so much the better: for it might have the effect both of encouraging the moderate element in the party to speak out more boldly and of obliging the Left to temper its revolutionary zeal with some awareness of what is really happening in the world.

The intellectual case against the NEC proposals is put in the reply issued to-day by the City Capital Markets Committee. As the committee points out the argument that banking and insurance need to be nationalised to stimulate industrial investment draws a false conclusion from a doubtful premise. It is just not true that a lack of funds to finance sound industrial *investment is at the heart of* Britain's economic weakness. There has been no institutional shortage of medium or long term finance, and the alleged concentration of power in financial intermediaries is exaggerated and misunderstood.

There may well be defects in the present system, but the "research" that went into the NEC document has not identified them. To the authors, nationalisation, almost by definition, has to be the answer. At a time when a number of nationalised industries provide poor service to the consumer and many of them impose heavy burdens on the taxpayer, and when the bloated public sector represents the biggest obstacle to economic recovery: the Labour Party NEC is proposing a massive extension of *public ownership into a sector* which has in no sense "failed the nation."

Freedom

The idea of insurance company funds being poured into British Leyland and Alfred Herbert, and bank managers becoming civil servants is something that should alarm even the most passive and non*involved policy holder or bank* customer. The extension of State power and State bureaucracy into banking and insurance threatens the freedom of the individual.

*In launching a national cam*paign against the proposals, as they must, the banks and insurance companies have the advantage of the known unpopularity of nationalisation even among Labour Party supporters. This is an occasion when the normal desire to maintain friendly relations with the Government of the day should not be allowed to inhibit the vigour of the attack.

Time for the EEC to look ahead

THE EEC's return to work after the summer holidays should get off to a good start to-day with the formal signature of the convention providing for the direct election of the European Parliament—almost two decades since the idea was first endorsed *by the Treaty of Rome.* The move, after years of French opposition, and, more recently, British foot-dragging, can only be welcomed by all those who want to see a more integrated and democratic Europe. The aim must now be to ensure that the first elections are held on schedule in the early summer of 1978, and that they are a success. It would be unfortunate, so say the least, if voters were to stay away from the polls in large numbers through apathy over the Community's future.

Fisheries policy

There is certainly not likely to be much other good news from Brussels in the coming months. There is little sign of progress in such potentially important areas of Community activity as the regional and energy policies, or of any major reform of the tottering Common Agricultural Policy. The negotiation of a new Common Fisheries Policy, of major concern to Britain and Ireland, is falling behind schedule. Germany remains obdurately opposed to any significant increase in Community spending, and there are no more than modest hopes that Bonn's attitude will change after next month's *elections.* Few people would bet on Germany accepting any major new plan to transfer resources from the richer to the poorer Community members in the immediate future.

On the political side, the Nine have more or less buried the Tindemans report on European Union, published at the beginning of this year. Whatever *the report's failings, it* deserves more serious consideration than it has so far received: but member Governments, particularly those of the bigger countries, seem extraordinarily reluctant to get to grips with any but the Community's most short-term problems. In this climate it is hard to foresee success for Dutch efforts to drum up agreement on a major step forwards towards political integration at The Hague *summit scheduled for the end* of November.

This unwillingness to face the future is all the more striking in view of the fact that the Community, by opening entry negotiations with Greece, has just embarked on a course that could well lead to far-reaching changes in its whole nature. Portugal will almost certainly apply for membership in the coming months, and Spain can *be expected to follow suit if* and when it achieves constitutional respectability. Yet there has been no discussion whatsoever of how decisions, already difficult in a nine-member club, are to be made in a grouping of ten, eleven or twelve. The general reaction to Mr. Tindemans' oblique references to a "two-tier" Community has simply been to pretend that no such danger exists—despite the *fact that the entry of further* Mediterranean countries will obviously widen the gap between rich and poor in the Community.

Opting out

Ironically perhaps, the Nine's opting-out attitude may in the end be to the European Parliament's advantage. A directly elected Parliament will have its own ideas about how Europe should be organised, and it will feel all the more free to promote them if Governments have no alternatives to offer. This makes it all the more important that direct elections should not be further delayed. A heavy responsibility rests with the British Government. If the U.K. is not ready by May/June 1978 the whole operation will have to *be postponed.* Despite the short time left for the necessary technical and political preparations, the timetable can still be kept if the Government is determined to do so.

A clash between industrial and political democracy

By JOHN ELLIOTT, Management Editor

NOW THAT the Bullock Committee of Inquiry seems to be moving steadily towards recommending that union representatives *should be given seats on the* Boards of the largest British companies, the attention of union leaders is turning to the public sector including Government departments where they *want broadly similar rights.*

Bullock is expected to report around Christmas, and its current thinking is that private sector Board members of the 600 largest companies with over 2,000 employees should be drawn from three sources—trade unions, shareholders, and a third group jointly nominated by the first two. This system, which would probably give the union and shareholder representatives each about two-fifths of the total, would be brought in at the request of the unions involved, subject to a ballot of all the employees in a company.

The TUC has demanded that union representatives should have half the Board seats—a demand that remains as firm as ever despite a superficially confusing debate at the recent annual Trades Union Congress *in Brighton.* The debate demonstrated that, while not all unions want worker directors, the TUC centrally still regards them as the primary method for increasing industrial democracy.

The unions' claims for the public sector vary, and in almost all cases take account of the fact that introducing a union role into the management of the public sector poses a range of new problems. An *influential trade union presence* in the Government policy making of the Treasury for example raises different issues from introducing it into a post office sorting depot or a local council's parks department.

Nationalised industries

The main problem hinges, as *all unions accept, around the* fact that Bullock-style industrial democracy could often impinge upon parliamentary democracy. It could break the electoral principle on which the Westminster and local government system is based, and interfere with ministerial responsibility to Parliament for nationalised industries. In fact, there could be a problem for national security—which might also occur in security-sensitive private sector companies—if Communists and other political activists are elected to positions where they could influence national issues and receive sensitive information.

Basically the unions' claims fall into two parts. Those conforming to TUC policy broadly want half the seats on nationalised industry Boards and on management Boards of organisations such as the Inland Revenue, Customs and Excise, and of individual dockyards. They would like more of this type of operational Board to be set up to give the organisations a management structure which they can invade. National 50-50 arrangements would be echoed at regional and local levels where appropriate.

The union half of these Boards, as in the private sector, would normally be taken up by shop stewards. But the TUC would also like a say in whom the Minister appoints to the other half of the seats.

The second batch of union claims involves organisations closer to the electoral system, *notably the Civil Service and* local government. In the Civil Service, however, the unions, which have *yet to finalise their* views, seem likely to get little more than improved consulta*tive arrangements on employ*ment matters—although even this could conflict sometimes with Government policies on matters such as the location of offices.

In local government most unions want the present ban on council employees standing for council seats in municipal elections to be lifted and they want union seats, maybe not always with voting rights, on municipal committees and councils. The fact that doctors, nurses and teachers already sit on some management-style committees is often quoted as the historical justification for this wish. The National and Local Government Officers' Association, for example, would like a system based on a workers' council elected by union members in each municipal authority. This council would select the union representatives who would have four seats on the main local authority council, with the right to speak but not to vote—and up to a one-fifth representation on all operational and standing committees where they would enjoy voting as well as speaking rights.

All this, however, is further complicated by the fact that some unions do not agree with the worker director concept and simply want to broaden the subjects over which they have *bargaining rights. To try to sort* it all out a number of internal Whitehall inquiries have been set up. They are being conducted by civil servants under the co-ordination of Mr. Alan Lord, *second permanent secre*tary at the Treasury. They have invited employer and union views. Conclusions are supposed to be reached by the time the Bullock Committee reports, but so far only slow and rather anguished progress has been made.

Ministers and Civil Servants have no intention of handing over the reins of Government to the trade unions, but they know that, given the social contract punch of Mr. Jack Jones, and his colleagues, they cannot just sweep the inter-Departmental papers into a pending tray. Mr. Jones is one of the leading advocates of the 50-50 private sector claim of the TUC being extended into the public sector. He showed how he hoped to muscle in on political decision making when he launched a demand recently for joint 50-50 union-management bodies to run defence establishments such as naval dockyards. The yards should, he suggested, be given increased autonomy by the central Government and should only employ union members under closed shop agreements.

Mr. Jones acknowledged that the Government should be responsible for overall defence *strategy and budget,* but immediately began to qualify this. "We do not wish to take away from Parliament the power to decide overall strategic matters," he said. "But we believe the Government must always bear in mind the manpower implications of defence decisions. The cancellation and *postponement of projects,* or decisions to embark on a new project, should be matters that are discussed with the unions right at the beginning of the decision making process, so that the Government will be well aware of all the implications of their decisions. We are not convinced that the needs of national security prevent any discussions on this. We believe that trade union representatives on the proposed Boards for the dockyards, ordinance factories and central ordinance depots should be closely involved in decision making over the country's defence strategy, while leaving the ultimate power to the Government and to Parliament."

In Sweden, workers' representatives—who have two-thirds of the seats on workers' councils but only two representatives on a Board—can exert considerable influence by being able to negotiate on managerial decisions. They have the right to receive extensive financial and other information.

Swedish public services are being given similar extensive co-determination rights but they are designed to stop short of interfering with the political democratic direction of the services. The Swedish unions have accepted that industrial democracy must not undermine the effective political control of the public sector and legislation makes it clear that the type, character, and quality of the services provided are not open to such negotiation.

One special safety-valve has been built in: a tribunal of six *public sector employers, six* employees, and seven Members of Parliament will sit in judgment when an employer considers a union is trying to interfere with the political process.

West Germany gives its established civil servants less co-determination influence than its general white-collar and manual public sector workers—an idea *which is being considered by* some U.K. civil servants. Under a Personnel Representation Act of 1974, personnel councils have to be set up in every Department, town hall, post office, or police station with more than five employees, a system repeated in district and central authorities. They have power of co-decision—that is an equal say with management—over matters such as hiring and firing of staff, office accommodation, wage structures, redundancies, social plans, amenities and training but not policy.

Clarence Cockerell — Terry Kirk

MR. ALAN LORD (left): A committee to sort out the many contending proposals.
MR. JACK JONES (right): No wish to impair Parliament's powers over strategy.

The Whitley system

Often, however, Continental arrangements go little if any *further* than the Whitley system of collective bargaining and joint consultation built up in the British Civil Service. It is in the nationalised industries, as in the private sector, that some countries are ahead. Britain does have extremely effective consultation systems, especially in the electricity supply industry, whose unions have rejected the TUC's worker director ideas.

Then there is the British Steel Corporation experiment with worker directors since re-nationalisation nine years ago. But these worker directors, initially divorced both from their unions and their place of work, have had little influence on Corporation policy and in any case are only in a minority on regional, not national, Boards. They have found themselves being overwhelmed by the Corporation's methods and somewhat shunned by the shop floor workers.

It is in Britain's nationalised industries that the most positive initial moves are likely to come. The Post Office has agreed that there will be union representatives on its Board, possibly in a two-tier system, which would be echoed at regional and local *levels. The unions and manage*ment are to meet soon to try to compromise between the union claim for half the seats and the management offer of only about two.

On the railways the unions also want 50-50 and believe that they will find a sympathetic listener in Mr. Peter Parker, the new British Rail chairman, while in the coal industry the miners have shunned the idea *of worker directors and have* demanded that miners elect pit management committees. The National Coal Board, however, although willing to strengthen consultative systems in the pits would rather institutionalise its present top-level arrangements in three tiers, the top with Government, management, the union representatives, the middle level with unions and management, and a lower executive level for day-to-day management.

The issue of the role of the Government is to be tackled in a report to be presented next month to the Prime Minister by the National Economic Development Office. While refraining from entering the industrial democracy debate, it is likely to be critical of existing relationships of the Government with nationalised industries and will put forward proposals based on two principles.

These will probably be that a tripartite forum is needed where the Government meets an industry's management and unions, giving the unions a role in a system such as that preferred by the NCB. The second principle is that the Government should then leave the industry to get on with its own affairs. The Government, under TUC pressure, wants to make announcements of policy soon after the Bullock report is published. On present showing, it is likely to be more radical in the case of the nationalised industries than elsewhere. But a lot of work remains to be done in the next two or three months if Mr. Lord at the Treasury is to find a credible strategy for combining parliamentary and industrial democracy without providing a platform for the unions to take another major step in the running of the country.

MEN AND MATTERS

Transport tales

Everyone in the specialist motor car parts replacement business remembers Dennis Blake, the former lorry driver who founded Standard Tyre, made £4m. in successive takeovers by Quinton Hazell and Burmah, and finished up in the bankruptcy courts. Few, perhaps, recall that on his way up and down on this great financial dipper, Blake took over a London-based *specialist exhaust* replacement company called Merritt Speedy Silencer Service. The two men who ran it, Alec Merritt and Bob Morton, having collected £1m. on the deal, departed quickly following management disagreements and fell from the public eye.

To-day, after four years that have also seen Quinton Hazell abandon Burmah and go back to his roots in the motor components business, Merritt and Morton are re-emerging as, not surprisingly, simple exhaust replacement specialists. In fact, for the last four years, they have hardly been out of the business, despite a clause in Merritt's contract with Standard that if he left he could not set up in a rival concern within five miles of one of the former depots. Because of these geographical restrictions Merritt went to the provinces; his former partner Morton, however, established several London-based operations, and when the four year contractual obligation *on Merritt was up they began to* merge their businesses under the Euro Exhaust name.

This process of integration is almost complete, and just in time for what promises to be a *busy period for the exhaust in*dustry. The average motorist may not yet have realised it, but next year his chances of involuntarily boosting the income of firms like Euro Exhaust will go up quite substantially, simply because the MOT test is being altered to take in exhaust systems. Although the examination will be visual only, there must be a few extra percentage points of growth in the new test for what is already a £100m. a year industry.

Merritt, 48, and Morton, 34, believe that there is consider*able scope for unforced growth* as well. About 75 per cent. of exhaust replacements are at present done in the traditional garage, while in the U.S. the while-you-wait expert centre is the norm. In fact, the idea of specialist centres came to Merritt, a one-time panel beater, from North America in the mid-1960s.

Since then a number of similar operations have started in various parts of the motor business, but with varying success. Merritt, with Morton, an accountant, believe that the business must be run simply, which is why they will not take on board either tyre or battery changing as well.

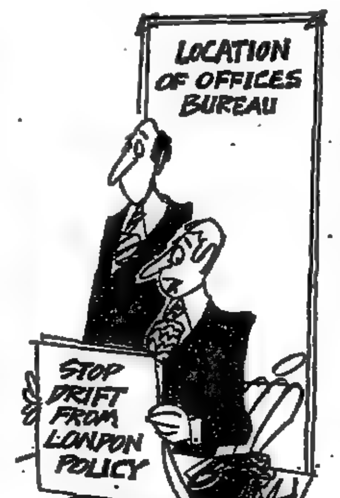
But they are keen to expand. From their present base of 38 U.K. centres they are aiming for about 50 by the end of next year, and several more to add to the four they already have on the Continent. So when will they go public? "We shall not let go of any part of the company for as long as we can avoid *it," says Merritt, with emphasis* born perhaps of the experience of others.

Omni-ad?

The term "man on the Clapham Omnibus" is these days less hackneyed than the term "overheard on a London bus." Nevertheless I am assured that the following conversation really was overheard on a No. 25 bus recently.

Two middle-aged ladies were discussing the drought and one affirmed that her family were actively supporting the "Save it" campaign. "What about you?" she asked her companion. "Well, I don't think we are actually using less water," came the reply, "but we do tend to use it in off-peak periods."

Perhaps public utilities, nationalised industries and Government departments might combine to make their several different advertising campaigns clear enough for the ladies on that bus.



"It looks as if we're going to have to go to the provinces and reconvert our converts."

Motor costs

Since we are mobility orien*tated, let us look at the report* of the RAC's "Public Policy Activities during 1975." As with most trade pressure groups the report has all the hallmarks of the curate's egg.

The better parts are related to the RAC's campaigns to get emergency speed limits (for fuel conservation, remember?) removed, and traffic control policy linked to road construction policies which would aim at reducing traffic congestion in the worst affected areas. The doubtful parts are those which harp back to the stale issue of how much the motorist contributes to the consolidated fund, related to what he gets in return and its opposition to the control of private motoring in highly congested areas through *the price mechanism.* (It is in these areas, after all, where the social cost of the private motorist is greatest.)

Sometimes I wish that trade associations would be more realistic in their attempts to represent their members' interests.

BL strikes

Poor old British Leyland keeps setting itself up even when things are looking better on the profit front. Like many other companies it buys in book matches with its own logo on the cover as a tiny part of overall advertising. Alas, in BL's case the normal admonition—"strike on back cover" has unfortunate connotations, and it does not help that the rest of the tiny print includes the words: "Spain made."

Final uplift

Since transport has been a theme running right through to-day's column, let me not leave out the humble lift, and particularly the instructions for the use of the lifts in the Hotel Slavija, Belgrade. The English version goes as follows: "To move the cabin, push the button of the moving floor. If the cabin enter more persons, each should press the button of the wishing floor. Driving is then going by natural order."

Observer

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FINANCIAL TIMES SURVEY

Monday September 20 1976

U.K. Banking

In recent years Britain's banking and financial community has had to ride out a series of domestic and international crises of daunting proportions. Even now, despite signs that world economies are reviving, the horizon is by no means clear of problems.

Economic outlook still uncertain

THE BRITISH economy has now been recovering for almost exactly a year from the deepest recession since the last war, yet there is still great uncertainty about the strength and depth of the future upturn. These doubts can be traced back to the extent of the previous downturn, the financial crisis of 1974 as well as the high rate of inflation and balance of payments deficit for this stage of the cycle.

In the six months or so up to the early spring, the economy was undoubtedly developing favourably in a number of ways. Output rose by 1¾ per cent. between the low point of the recession in the third quarter of 1975 and the first three months of this year, with the rate of increase in unemployment slowing sharply. The main stimulus came from a sharp growth in exports—the increase between the second half of last year and the first four months of this was at an annual rate of nearly 20 per cent. This was reflected in a current account deficit of only £39m., seasonally adjusted, in the first quarter.

At the same time, the £6 a head per week stage of the Government's pay policy was proving successful. The combination of a slower rate of growth of earnings and the continued impact of the recession was cutting the rate of price inflation to an underlying level of around 12 to 15 per cent. from the beginning of the year onwards.

Yet the public sector deficit remained high, both absolutely and for this stage of the cycle, with a projection in the April budget of a public sector borrowing requirement of just under £12bn. for 1976-77. This inevitably raised fears about the rate of growth of monetary supply at a time when business demand for loans would also be starting to revive.

But during this period of the spring and early summer when evidence built up of the more rapid than expected growth of the economy, sterling was also falling sharply. There is little doubt that the authorities did not want to see any appreciation of the pound above its early 1976 level of just over $2 because of the higher rate of inflation in the U.K. compared with our main competitors. Consequently they do not appear to have been too displeased with the initial fall in the rate below $2 in early March.

But the decline continued for much longer and the fall went much further than desired, as shown by the heavy official intervention. The result was that the pound fell by 15 per cent. in the three months to early June and only recovered following the arrangement of the $5.3bn. central bank standby credits.

Opportunities

The decline of the pound presented both opportunities—for medium-term export growth; and problems—for the short-term balance of payments, and for inflation prospects. Moreover the standby-credits were only for six months and it was clear that if a substantial amount were to be drawn, Britain would probably have to go to the IMF to draw on its second credit tranche by the end of the year unless other large-scale finance could be raised. But any IMF drawing would involve conditions and the concern of overseas financial officials and ministers about the size of the British public sector deficit was made quite apparent after the arrangement of the standby credits.

This formed the background to the Government's economic package at the end of July. This reduced public spending in 1977-78 by about £1bn. below previous plans while a similar sum was to be raised from an increase in employers' national insurance contributions. The net effect was to cut the projected borrowing requirement in 1977-1978 by about £1.5bn. down to £9bn.

This move was publicly justified on the grounds of the need to shift resources into industry, to reduce monetary pressures and to retain international confidence. Mr. Denis Healey, the Chancellor of the Exchequer, was able to upgrade his estimate of the rate of growth in arguing for the spending cuts and also to point to a slightly lower estimated borrowing requirement of about £11.5bn. in 1976-77.

The Government's basic view of the economy is that the recovery will continue at a rapid rate throughout 1977 with an increase in Gross Domestic Product of 4½ per cent. at an annual rate in the 18 months from the first half of this year, and an 8½ per cent. increase in manufacturing output on a similar basis. This view reflects the assumption of a continuing strong rise in exports, the beginning of stockbuilding and a sharp recovery in investment from now onwards, as suggested by various intentions surveys. As a result, the Government has been saying it expects unemployment to start falling before the end of this year.

The Government's optimism has been increasingly disputed in recent weeks following the evidence of a slowdown in the overall rate of growth during the second quarter. This may have been partly affected by an erratic fall in industrial output during June, but nonetheless doubts were created about the pace of recovery given a fairly flat trend of consumer spending, a sharper recent rise in unemployment and the check to the rise in export volume in June and July, reflected in a big rise in the trade deficit. These uncertainties have been only partly reduced by the latest production and trade figures published last week.

On one view, the upturn earlier in the year was the result, in the main, of the end of destocking and the recession and financial squeeze of 1974-75 has so affected bankers and businessmen that expansion will be on a very limited scale. Hence the upturn could be quite muted, gradually petering out as the growth of world trade slows down.

A middle opinion between the Treasury outlook and the pessimists is reflected in the recent National Institute review. This projected a continuation of the current output recovery over the next 18 months, though at a slower rate than the official forecasts because of more cautions export and world trade assumptions. The review pointed out that the recovery would be based on exports and stockbuilding and occur in particular in manufacturing, where there is considerable scope for improving productivity and not in the labour intensive public and private services as in 1972-73.

Consequently unemployment would continue to rise until early next year before falling only slowly to a total of 1.2m. (seasonally adjusted and excluding school leavers) by the end of next year. Other forecasters believe that the apparent margin of spare capacity is deceptive and that the upturn will produce shortages and bottlenecks quite quickly in some sectors such as steel.

The lower than expected rate of growth of exports is reflected in a projected increase in the current account deficit from £1.7bn. to £1.9bn. this year. Although the Institute, for instance, envisages an improvement to only £1.5bn. in 1977, and some other forecasters are more pessimistic, the build-up of North Sea oil production is expected to help produce an improvement during the course of the year. There should be an estimated reduction in imports of £2.63bn. from this source next year, against about £850m. in 1976. The Institute suggests that this movement back towards balance in early 1978 should be sufficient—on the assumption that monetary growth is held down by higher interest rates—to stabilise the exchange rate in the second half of 1977, if at a somewhat lower level than now.

The recent pressure on sterling and the rise in interest rates has underlined the precarious balance in the Government's strategy, and the concern about the rate of growth of money supply. Both features are of considerable importance ahead of a decision, probably towards the end of next month, on whether Britain will seek a further drawing from the IMF.

Projections

The official line is that the question remains open and will depend both on the extent of the use of stand-by credits—just over $1bn. up to the end of August—and the scope for borrowing elsewhere. But the increasing belief on both sides of the Atlantic is that the U.K. will have to make a loan application later in the year. Although the latest public sector borrowing requirement projections may have gone a long way towards satisfying international opinion in this area, there is likely to be concern on, for example, the rate of Domestic Credit Expansion and on the prospects for inflation.

Indeed the greater caution now about the prospects for inflation is perhaps the most worrying feature of the economic scene at present. The fall in the value of sterling and the rise in commodity prices between March and June has already led to the pushing back of the official target for achieving year-on-year price inflation beyond the end of this year.

Many forecasts assume that the underlying rate of inflation will only dip into single figures towards the end of next year and that the year-on-year increase in the cost of living may still be over 10 per cent. This is on the basis of no breach in the second stage of the pay policy, but the main worry is what will happen next summer when this phase ends. There is the obvious danger of an increase in the rate of wage inflation, especially when the economy is anyway expanding. This would have serious implications for the future growth of the economy and would also make the official target of 3 per cent. unemployment by 1979 look even more remote.

Peter Riddell
Economics Correspondent

How much for industry?

CONTROVERSY over the degree of responsibility borne by the financial community for British industry's low capital investment has recently exploded in the emergence of radical Labour plans for nationalising the Big Four banks and seven top insurance companies to establish State control over this crucial range of financial institutions.

The scheme, which has shaken the City, is not yet the official policy of the Labour Party itself, still less of the Government. But the recommendations, from the Party's National Executive Committee, seem likely to be adopted by the coming Party Conference. Consequently they appear destined to constitute a continuing embarrassment for the Cabinet, which has already said, through Mr. Harold Lever, Chancellor of the Duchy of Lancaster, that it has no plans to nationalise the banks or insurance companies.

Even if they never get beyond the blueprint stage, the Labour nationalisation proposals serve vividly to focus interest on an issue which has been increasingly discussed—how far, if at all, financial problems account for industry's reluctance to invest in new expansion.

There is no dispute about the seriousness of industry's sluggish investment — which is expected to fall a further 5 per cent. this year before possibly recovering 15 per cent. next—though plenty of controversy on the causes for it.

Indeed, the City has been sensitive enough for some time to criticisms that it bears some responsibility for this unfortunate trend for it to have backed two significant new joint ventures in the past two years to fill possible gaps in the country's financing apparatus. These are the £1bn. medium-term loan facility set up early in 1975 by the bank-backed Finance for Industry—and as yet comparatively little called upon—and the institutions' recently-created "equity bank," Equity Capital for Industry, designed to channel share capital to companies unable to raise it on the market.

Moreover, the banks—always large lenders to industry—have also over the past year substantially stepped-up their medium-term lending to manufacturers and are clearly set on developing this trend and the necessary administrative staffs to run it. Earlier this year, the sum on loan in this way was estimated by Mr. Denzil Davies, Minister of State at the Treasury, at a much-increased £2.75bn., a quarter of all lending to this sector, excluding special export and shipbuilding loans.

The City, in its increasingly vocal defence of its position, has had no hesitation in disclaiming that it is significantly responsible, through withholding finance, for the parlous state of industrial investment—which it attributes rather to the lack of profitable opportunities to tempt companies into expansion. The classic statement of its attitude came last year from the influential City Capital Markets Committee, which concluded: "Where the large and medium company is concerned, the members of this committee, all active in the process of capital raising, know of no case in the past ten years, with the possible exception of the crisis period from the autumn of 1973 to the autumn of 1974, where worthwhile investment projects have been held up because City institutions have refused funds."

Expansion

The view behind the Labour plan—"Banking and Finance—a statement by the NEC presented to the Labour Party Annual Conference, Blackpool 1976"—is, of course, quite otherwise.

In a seeming echo of the politicians' maxim that war is too vital to be left to the generals, the paper begins by stating "It is clear that the investment expansion Britain so desperately needs is too important to be left to businessmen and financiers alone."

In the context partly of references to the disastrous secondary banking crisis, the Paper seriously questions "the way in which the banks and financial institutions have met their responsibilities to the customers, and [suggests] that by short-term and short-sighted lending and investment policies they have undermined the development of the national economy."

It further claims that the financial system has been at fault in that lending has shown wrong priorities—an excessive concentration on property in the 1972-73 boom—and that the investing institutions' channelling of funds into ordinary shares has been over-volatile.

"If we are to double our annual rate of manufacturing investment," the Paper states, "we must accept that this implies changes in the extent to which industry relies on external funds, and in the mix of external funds. Therefore we must set in hand the institutional reforms necessary to channel resources into industry."

Proposal

It goes on to say, with reference to public interest in banks and financial institutions on the Continent: "The key to success lies in developing a publicly-owned stake in the very areas of the financial system where critical investment and lending decisions are made: the banks and the insurance companies. This is where our competitors have stolen a march on us, with specialist publicly-owned financial intermediaries."

The proposal then is that the Big Four banks should be nationalised and "placed under Bank of England control, which should act as a holding company and plan the provision of bank finance to industry." (There is a piquant explanation of the need for nationalisation of *all* the top banks since "if only a single clearing bank were brought into public ownership there would exist a possibility of deposits being switched, for misguided reasons, to the other clearers.")

There is also a proposal, closely similar to an idea earlier outlined by Mr. John Hughes, Vice-Principal of Ruskin College, Oxford, for the creation of investment reserve funds. Under this system, certain funds of companies would be placed with the Bank of England in "blocked balances," earning no interest, for release only to finance approved investment.

An early City response to this scheme came from Mr. Anthony Tuke, chairman of the Committee of London Clearing Bankers and of Barclays Bank, who said: "The complaint that industry gets insufficient finance is negated by the fact that the banks have more money available to lend to industry than industry wishes to borrow; the accusation that too much lending is short term is contradicted by the recognition, in the document itself, that a sizeable proportion of bank lending to industry is now on a medium-term basis."

He added: "No one would claim that our banking system is perfect, but the suggestion that publicly-owned banks abroad have caused better economic performance has not been substantiated."

The banks have certainly been acting in the last few years as though they were conscious that they might not be perfectly adapted to the needs of industry and should adjust their system to assist industrial borrowers further, principally through more medium-term loans, and more professional scrutiny of such lending. This is not to say, though, the banks can be indicted for having, at any stage, seriously impeded industry's expansion, which does appear to have been more inhibited by the want of clearly profitable opportunities for companies in conditions of inflation and economic recession.

The extent to which the banks have continuingly backed industry is shown by statistics revealing that the whole banking system had nearly £16bn. on loan in sterling to industrial and commercial companies at the end of 1975. In the years 1973 and 1974—admittedly ones of exceptional economic difficulty—the banks respectively put up a fresh £4.5bn. and £4.4bn. out of such companies' total fixed and working capital needs of £14.8bn. and £15.3bn., in each case more than half the amount contributed by the companies' own ploughed back profits. In the following year, 1975, when the revival in the rights issue market led to some £1.2bn. being obtained by companies from share issues, certain bank loans were repaid and a lower-than usual £700m. net was provided by the banks to the companies.

Undoubtedly the chief recent trend within the major area of bank lending to industry has been the growth of medium-term loans, for five-seven, and sometimes up to ten years, to finance particular investments, so giving assurance of continued funds, though at somewhat greater cost than overdrafts. The present total of £2.5bn.-2.75bn. medium-term bank lending represents a major increase on the figure of £1.5bn. early last year.

Barclays Bank's medium-term lending has been on a distinctly rising trend, for instance, reaching £400m. by the end of last year after increasing by 50 per cent. between mid-1974 and mid-1975.

As another example, the Midland Bank has also substantially enlarged its commitments for medium term lending over the last year or so, having increased loans of this kind by around a third last year.

Following an announcement in the April Budget, the Bank of England is now discussing with the banks the possibility of further encouragement to medium-term lending through some form of rediscount arrangement, parallel to that for export and shipbuilding loans. Under such a system, banks would be able to swop medium-term loans to industry for cash from the central bank, if desired. No decisions have, however, yet been reached on this idea, which could lead to an unwelcome call on tightly controlled State expenditure.

Expertise

The need for greater staffing expertise to monitor increased medium term bank lending was stressed this month by Mr. Deryk Weyer, senior general manager of Barclays Bank, who said at the Institute of Bankers' Cambridge seminar: "The 'arm's length' attitude of a Clearer to lending on overdraft on a fully liquidating basis is not sufficiently sophisticated for dealing with term loans to industrial customers. So the Clearing banks are having to re-train their senior and middle banking management, always with a greater emphasis on cash flow, liquidity and profits. A period of inflation has greatly damaged the credibility of the historic balance sheet as a safe banking aid."

In view of the challenge from the nationalisation proposals, the City is undoubtedly glad now that, in the past two years, it has promoted certain new instruments of financing to ensure further an adequate flow of needed capital to productive industry.

The banks have also been closely associated with one such move, to open a fresh channel of slightly longer term capital through Finance for Industry, which they own jointly with the Bank of England. Set up early last year following an initiative by Mr. Harold Lever, to ease companies' cash positions in the liquidity crisis of late-1974 (later relieved by Government tax moves), FFI's new £1bn. medium term loan facility offers loans up to 15 years on fixed or variable interest terms. In the easier liquidity situation of 1975-76, the facility has been relatively little used—little more than £100m. having been lent, though some £200m. altogether has been offered, partly because of the high interest rates—but the scheme stands ready for greater activity in any renewed cash scarcity.

The stock market has also played its part in generating new capital for industry through the strong revival in the past 18 months of cash-raising rights issues, whose attractions to companies have been enhanced by the Treasury's substantial easing of the dividend control to concerns making them—again in the interests of financing investment. Some £1.2bn. was raised in this way last year and the flow continued even more strongly in the first half of 1976. But with the recent slide in the share market, and the satisfaction of many companies' appetites the rights issue queue has now shortened markedly.

A further new private sector body to fill a possible gap in the City's battery of financing instruments — Equity Capital for Industry, headed by industrialist Lord Plowden — has also been launched, though it has been the subject of considerable dispute, through opposition from some institutions which doubted the need for it.

Availability

This "equity bank," not yet fully in operation, has been launched with only a £40m.-plus capital put up by investing institutions, rather than the £500m. suggested in some original discussions of the project. It is not to back "lame duck" concerns, and time alone will show how far the assumed gap in availability of share capital to back concerns of long-term viability, but with short-term problems, really exists.

From the public sector, the State-backed National Enterprise Board is another relatively new instrument for channelling money (in its case from Government funds) to concerns needing to be tided over a difficult spell. An example has been its £1m. recent backing for the Twinlock office equipment company. The exact character of the new investments to be made by the NEB—whose inherited holdings range downward in size from British Leyland and Rolls-Royce (1971)—has yet to be fully demonstrated.

Individual institutions and merchant banks have also traditionally played a considerable role respectively in financing, and putting together financial "packages," for all types of company investment projects, and can be expected to continue doing so in selected cases.

Certain institutions, such as Industrial and Commercial Finance Corporation and, in a smaller way, concerns such as Gresham Trust, specialise in financing growing small companies. Charterhouse Group has lately set up Charterhouse Development Capital, with backing from certain insurance companies and pension funds, also with the aim of backing growing young concerns.

One thing which seems beyond question, with the Labour nationalisation plans destined for plentiful further attention, is that the City will remain on its mettle in tending and fostering its whole range of banking and other financial facilities for industry.

Margaret Reid

Signs of revived demand for loans

BANK of England's de- ı last week to call a further r cent. of special deposits the banking system, effec- immobilising another n. of their resources as a for further expansion of ng, was officially pre- -d as a contribution to the rnment's commitment to -ol the rate of growth of money supply.

is explanation highlights problems, already being ıpated, which could be pre- ed for monetary policy by stained rise in the private r's demand for finance. The sion followed a period of months in which there been signs that, after a period of depression, stry has started to show re- ed interest in increasing its owing from the banks. Over four months to mid-July ing lending by the banks e U.K. private sector leapt an exceptional amount of n. after seasonal adjust- ts.

Is recognised, however, that large rise in lending owed od deal to special factors ng at least part of that period, including the effects of the fall in sterling. And the latest figures for mid-August have indicated a pause in the growth of private sector borrowing. It is felt, therefore, that there has been some improvement in the underlying trend: but the banks are being cautious about their interpretation of the recent movements in lending.

Their own experience with customers has apparently so far not produced convincing evidence of a strong upsurge in industrial demand for finance to support real economic expansion. They also make the point, however, that they have ample scope to meet the needs of borrowers—even after meeting the special deposits—with usage of agreed facilities exceptionally low.

The clear implication of the Chancellor's decision in July to publish specific monetary guidance—a 12 per cent. growth in the money supply over the current financial year—is that it will mean continued relatively high levels of interest rates if increased industrial borrowing has to be accommodated alongside the requirements of the public sector.

In other words, the concern about the threat of industry's being "crowded out" of the markets by the public sector has not gone away. This issue has been exercising bankers for a long time now. To take one example, Mr. Deryk Weyer, the senior general manager of Barclays Bank, was arguing nearly a year ago that the high level of Government spending could deprive industry of funds when the economic upturn gained pace. From another angle, Lord Seebohm, the chairman of Finance for Industry, has strongly maintained this year that high interest rates have had the effect of holding back new investment by industry.

Depressed

Over most of the past year, however, given the generally depressed condition of industry, it has not been an immediate issue. Until April this year, there was no indication that the level of demand for credit was being affected significantly by the promise of economic upturn or, apart from short-term fluctuations, by the quite substantial changes in levels of interest rates during the period.

The pattern of movement was clearly illustrated by the analysis of lending recently published by the London clearing bank groups. This showed that over the year to mid-August, total advances to manufacturing industry increased by only £136m., the greater part of it in the chemical sector. The rise was substantially more than accounted for by a jump of £464m. in the latest three-month period, offsetting the decline in earlier months.

Throughout the period, the priority of the banks and of the authorities remained to encourage industrial borrowing. It included a time when interest rates were falling quite sharply, with minimum lending rate dropping from the 12 per cent. reached in November last year to its low point of 9 per cent. in the spring of this year, before the weakness of sterling prompted a renewed upturn. The emphasis of official policy was clear in the continuing guidance given to the banks to favour industrial borrowers. And early this year the Bank took special measures to ensure that the cost of money and lending would not be affected by an expected shortage of liquidity in the system by making a temporary release of £325m. of the special deposits held from the banking system.

The sluggishness of demand for loans provided an example of the difficulty of forcing industry to take loans it did not want—and also gave the banks one of their main answers to the criticism of their service to industry when they are able to point out that, whatever else has been holding back manufacturers, it has not been lack of availability of finance. One of the features of the past year, indeed, has been that while industry has not been taking advantage of the funds available it has been tending to negotiate higher limits with its bankers against the time when they would be required.

Within the general lending position, moreover, there have been significant changes in the structure of the banks' involvement in industry. They are not prepared to accept the arguments urging them to take a more active role in equity investment. But they have undertaken a considerable expansion of their medium-term lending to industry. In part, this move represents a switch of some of the established hard-core overdraft lending to what the banks regard as more suitable forms of finance. But the expansion of medium-term loans has also meant a significant development of the facilities available to industry.

The move towards medium-term lending, which may now account for up to a quarter of industry's borrowing from the banks, is expected to develop further, involving the banks in increasingly close relationships with their industrial customers. And it has been welcomed by the authorities, with the suggestion by the Chancellor last April that special arrangements might be made to enable the banks to sustain the growth of this lending at a time when they might otherwise be restricted by considerations of their own liquidity. The idea put forward was that if this problem arose, it might be alleviated by setting up arrangements for the Bank of England to undertake refinancing of a proportion of the banking system's term loans.

Pressure on the bank's resources, in this specific area or in lending generally is not, however, an immediate problem. It has only been in the last five months that lending has started to show its big increase. The jump began in April, with a £479m. increase in the banking sector's sterling lending to the private sector on a seasonally-adjusted basis. The period to mid-May brought another rise of £185m. and there was an increase of £227m. in June. This was followed by a further exceptionally large increase of £710m. in the July reporting period. Last month, however, the total fell slightly by £15m.

Incentives

It has been strongly felt, however, that the earlier figures exaggerated the real underlying trend. They were certainly influenced by a number of special factors, of which the most important was probably the changes in the flows of payments which took place during the period. With sterling under pressure, there was an incentive for U.K. companies to extend the "leads and lags" in external payments, requiring increased finance from their banks to support their position.

The importance of the leads and lags is impossible to quantify, but it clearly played a significant part at least in the earlier rises. The July increase in lending was less easy to explain, since by then the main pressure on sterling was over. But again it was felt that the figure might have exaggerated the trend partly because of uncertainties over the seasonal adjustments at a time when the banking figures are affected by half-yearly charges. The latest figures, showing a more stable trend, have suggested that the caution over the earlier increases in lending was probably justified.

Nevertheless, the probability is that lending has started to take off. The authorities have again affirmed their general priorities in a largely routine notice from the Bank of England at the time of the Chancellor's July measures asking the banks and finance houses to restrain lending to other sectors in order to ensure the availability of finance for manufacturing industry's working capital and fixed investment requirements. The request, however, also included specific reference to the need to restrain the granting of facilities and not just loans to other sectors. And it was put firmly in the context of the Chancellor's comments on the need to control the growth of the money supply. Reconciling this with meeting industrial needs may be the problem for next year.

Michael Blanden

FINANCING THE OVERSEAS DEFICIT

(£m. not seasonally adjusted)

	1976 1st qtr.	1976 2nd qtr.
rent account (deficit −)	−250	− 500
·ling holdings in the United Kingdom (increase +):		
il-exporting countries	−210	− 690
ther	+130	− 230
. bank's sterling claims on overseas (increase −)*	−460	− 400
. banks' net borrowing (+) or lending abroad in foreign currency	+160	+ 130
er identified capital flows	+ 70	+ 10
ancing item	− 80	− 240
Balance for official financing	−640	−1,920
anced by:		
oreign currency borrowing (net) by public sector bodies under exchange cover scheme (+)	+280	+ 580
'rawings on IMF (+)	+570	+ 440
'rawings on central bank credits	—	+ 580
'rawings on the reserves (+)	−210	+ 320

* Includes export credit refinanced by the Exports Credits Guarantee Department.

Source: Bank of England Bulletin

DOMESTIC CREDIT EXPANSION

(£ millions: seasonally adjusted)

	1975 2nd qtr.	1975 3rd qtr.	1975 4th qtr.	1976 1st qtr.	1976 2nd qtr.
Central government borrowing requirement	+1,944	+2,724	+1,744	+2,331	+1,725
Purchases (−) of central government debt by non-bank private sector	− 550	−1,235	−1,892	−1,420	−1,078
Other public sector borrowing requirement	+ 746	+ 121	+ 757	+ 174	+ 777
Purchases (−) of other public sector debt by non-bank private sector	− 233	+ 136	− 70	− 77	− 266
Lending to private sector					
in sterling	− 147	− 563	− 14	+ 79	+1,094
in foreign currencies	+ 239	+ 314	+ 13	+ 52	− 121
DCE*	+2,067	+1,400	+ 416	+1,451	+2,257
External items	−1,603	+ 212	− 246	− 333	− 826
Other	+ 10	− 53	− 165	− 15	+ 85
Money stock (M3)	+ 406	+1,656	+ 127	+ 791	+1,390

* DCE is the sum of the items above this line, with two adjustments: the exclusion of bank lending to the UK private sector in foreign currencies for investment overseas, and the inclusion of bank lending to overseas residents in sterling.

Source: Bank of England Bulletin

The problems of the pound

E POUND has fallen by ·und a sixth in the last 12 nths in circumstances which 'e brought clearly home to Treasury and the Bank of gland the pitfalls as well as benefits of a floating system exchange rates for a country h a large current account icit, a higher rate of inflation n its main competitors and ge overseas holdings of ancial balances.

The pressure, at times remely heavy, have been ·orbed both by allowing the e to fall and by heavy inter- ntion. As the latest Bank of gland Bulletin points out, ring the period of recurrent wnward pressure from early rch to June, there was both fall of some 12 per cent. in e exchange rate (and slightly re at the low point) and avy official borrowing and awing on the reserves, which gether amounted to nearly .8bn.

This combination of exchange te and reserves policies— cked by various interest rate d intervention tactics— early produced somewhat uddled results between March d June.

The starting point was a mparatively steady sterling change rate for several onths up to early March between $2.02 and $2.06 spite a higher rate of inflation an in almost all our main ading competitors as well as large current account deficit. these circumstances, the thorities were reluctant to e any significant appreciation sterling, which might prove nsustainable (in the words of e June Bank of England lletin). Many economists ere indeed arguing then that depreciation would be useful stimulating competitiveness t a time when world trade was xpanding rapidly.

Error

So when on March 4, according to the Bank, "a substantial ut short-lived demand for terling appeared in the late orning and early afternoon, it as met by them" (the authorities). "By mid-afternoon of hat day, however, the dollar vas strengthening sharply; and gainst that abrupt turnround, he authorities' sales of sterling arlier in the day was misinterpreted by the market."

This "misinterpretation" — and it is regarded as a major blunder of market handling by many, both inside and outside Government — led to the widespread view in the foreign exchange market that the authorities were keen to push the pound down. This attitude was reinforced the next day when Minimum Lending Rate was cut by a quarter of a point to 9 per cent, its low for the year.

In the following ten days, sterling was under renewed pressure, falling by over 10 cents. Throughout March the authorities intervened heavily in attempts "to moderate movements in the rate and to maintain orderly conditions in markets."

Intervention

The Bank summarised movements after the initial drop in early March by pointing out that markets were largely one-way. Intervention by the authorities as buyers of sterling to test the market and to ensure that movements in the rate did not over-represent the volume of business, brought out each time a considerable weight of selling.

The problem was that the lack of confidence became infectious and, despite occasional periods of steadiness and two sharp rises in MLR, pressure on sterling was recurrent during April and May.

The decline was only halted after a renewed bout of heavy selling in early June when the rate fell to $1.70¼. The recovery really started on June 7 following the arrangement of the $5.3bn. central bank standby credit facilities and the miners' acceptance of the second stage of the pay policy.

The full impact of the pressure has only become apparent recently with the publication of the balance of payments figures for the second quarter. While these are not a wholly reliable guide, they do provide a broad indication of the pressures. The balance required for official financing—effectively the combined current and capital account deficits—rose from £640m. to £1.92bn. between the first and second quarter.

A current account deficit of £500m. (against £250m., not seasonally adjusted) was dwarfed by massive capital outflows of money mainly held by foreigners in the U.K. In particular, sterling balances were reduced by £920m., with a £690m. fall in holdings of oil-exporting countries to just under £2bn. compared with a peak of nearly £3.5bn. in March 1975.

The Bank concluded in its study of the balance of payments and the exchange rate in the latest Bulletin that it was difficult to identify the sources of pressures on sterling, but it "is unlikely that events would have run the course they did had there not emerged a widespread view that sterling was over-valued."

This, of course, only answers some of the questions, in particular what might have happened to the rate if there had not been the mismanagement of early March. Given the higher rate of inflation in the U.K. than abroad and the current account deficit, the pound might have dropped by around a tenth to perhaps about 10 cents above its current level, but without all the problems that appeared in the period, according to some commentators.

The relative stability of the pound between mid-June and earlier this month reflects not only the expectation and appearance of public spending cuts and a reduced forecast for the borrowing requirement but also the existence of the stand-by credits and support from the reserves during the occasional periods of pressure.

Sterling has, however, come under renewed pressure this month arising both from the threatened seamen's dispute and from concern about the impact of the drought and the rate of monetary expansion. The sudden withdrawal of support for a rate of $1.77 ten days ago can be seen to a large extent as a desire not to draw further on the reserves or the standby credits (over £200m. may have been spent a fortnight ago in intervention), with the seamen's dispute being used also partly as a pretext for allowing the pound to fall slightly.

Stability

There is little that can be said with certainty either about the future course of sterling or about the authorities' tactics, after their decision to allow sterling to float freely. But the use of the standby so far and the fall in the reserves, despite heavy public sector borrowing overseas under the exchange cover scheme, has made it more likely that Britain will have to seek a further loan from the IMF later in the year. The problem of the overseas sterling balance holders will remain, however. Any stabilising of the rate essentially depends on the hope that Britain's inflation rate will be in line with that of its main competitors during the second half of 1977 and on a significant reduction in the size of the current account deficit during the course of next year.

Peter Riddell

The monetary crisis

ONE OF THE great sources of comfort for the City in a desperately uncomfortable decade has been the belief, held unwaveringly except among a handful of persistent critics, that the official financial management of this country was in competent hands. Governments might for the most part pursue deeply mistaken policies, the trade unions might threaten economic growth and even social stability, but at least it could be taken for granted that the consequent financial damage would be contained to a decent minimum.

During the past summer there has been a sad change. The Government has gone a good way towards what the City would regard as realism, and the trade unions have put on an impressive display of restraint: the financial situation, on the other hand, has got more and more out of hand. The pound collapsed at a moment when the trade deficit came very close to zero: the growth of the *money supply has clearly been* excessive at a period when the private demand for funds has remained subdued. City comment has more and more tended to blame these misfortunes on sheer technical blunders.

The first was in the management of the exchanges. First, in early March, the Bank of England allowed itself, quite deliberately, to be seen as a seller of sterling. Subsequently, a Treasury comment pointed out that the pound was bound to decline if Britain had relatively fast inflation. The market—and, for that matter, the French Government—suspected a plot.

The consequent blow to confidence proved irreversible. A whole series of official statements deploring the extent of the subsequent fall in sterling, backed up by the expenditure of *no less than £2½bn. in support* operations, appears to have made no difference whatever to the course of events. The pound fell more than 40 cents while it was being heavily supported; in the last few days, since official support was suspended, it has fallen about two. The whole series of events has caused such a loss of confidence that an unprecedented differential of more than seven per cent. in money interest rates appears necessary at the moment to stabilise the situation.

Domestic credit

One of the main reasons for the current disquiet in the foreign exchanges is, ironically, the excessive growth of domestic credit and of the money *supply—ironically, because it* has been the collapse of sterling in the *foreign exchanges* which has in fact caused this growth. The market for Government funds has been fitful and sullen ever since the fatal March 5 fall in sterling. The growth of liquidity in the financial system is the result of this failure to fund the Government borrowing requirement; and the more recent, short-lived explosion in industrial demand for bank credit can largely be explained by the need for funds to establish hedging positions against any future fall, settling foreign debts early and importing some materials in anticipation of demand. The market has in effect been alarmed a second time by the statistical evidence of the events it has already witnessed; but again, a growing chorus accuses the authorities of mismanagement of funding as well as mismanagement of the foreign exchanges.

The last week has shown, at length, a fairly vigorous attempt by the authorities to tackle the situation; but it is a measure of the loss of confidence that initially at least the traditional crisis moves—the sharp rising in MLR, the subsequent call for special deposits—do not seem to have convinced the market. The authorities are accused on tackling the crisis piecemeal, and moving with hesitation.

The result, it is generally agreed, is that a far higher level of long-term interest rates will now be needed to bring investors into the market than would have been necessary even a few weeks ago; and some fund managers point out that the rise in short-term rates which has been imposed as a means of starting the general adjustment has handsomely increased the return on funds which are kept in near-liquid forms, so that they can still afford to sit it out for some time. It is by no means clear that the money supply has yet been brought under control.

While much of the criticism which can be heard in the market concentrates on day-to-day technicalities—the failure to mount a determined defence of the exchange rate at the "psychologically important" dollar level, the failure until after the fall had largely *exhausted* itself to deal in the forward markets and so raise the cost of speculating against sterling, the terms of this or that tap issue—it is always easy, with the benefit of hindsight, to make such points. The trouble really appears to have been not so much a loss of market touch in day-to-day matters as the failure of a strategy which never envisaged any such prolonged setback.

As seen at any time up to the end of February, the situation looked decidedly promising from the point of view of the monetary authorities. The yield on long-dated Government stocks, at 13-13½ per cent., promised a positive return when measured against the prospective rate of inflation, and could be expected to decline gently as the inflation rate was progressively reduced. This could be expected to provide the ideal situation for large-scale funding. The one slightly worrying feature was that sterling was not following the smooth adjustment path, keeping comparative costs on a constant level, which official policy envisaged. The longer this adjustment was delayed, the greater the danger that it would be unduly rapid: and since a rapid decline would demand higher money rates, the progress of funding might be disturbed.

Weakness

It was impatience over these possibilities (coupled with the fear that the impetus of export-led growth might falter) which led the authorities to make an over-ostentatious demonstration of the fact that it was not the authorities who were holding the rate up. In the event, this brought on the very disaster it was meant to avert.

Subsequently, the second weakness of traditional methods has been revealed. It has always been true that sales of gilts have dried up when interest rates were rising, and the managers of the national debt have been fairly relaxed about the consequences. The temporary bulge in the money supply which results when funds pile up awaiting a turn in the market has not in the past caused any grave difficulties: and even when the Chancellor was pushed by his domestic critics and by the IMF into a well-defined target for monetary growth, the usual rider about "taking one month or quarter with another" was supposed to look after these particular irregularities.

Two facts have made this policy virtually impossible to sustain: the pound is floating, while the Government's borrowing requirement is this year approaching the size of the whole narrowly-defined money stock. Any hiccup in funding produces a far bigger bulge in monetary growth than in earlier years, and the exchange rate is far more vulnerable to such events.

As a result, there is now a wide consensus in the City that new funding methods will have *to be tried. Proposals run* through a whole range of options — new forms of Government stock, with an indexed or floating coupon; new methods of marketing, whether through a more "active" use of tap stocks (in other words, a readiness to lead the market sharply down), or through regular auctions of Government bonds, on the U.S. model; the direction of those funds which enjoy tax privileges to pay for them by keeping a fixed proportion of their assets in Government funds; the re-activation of the "corset," to prevent the banks from bidding for the funds held elsewhere in the system; and even such more desperate measures as compulsory savings or the levying of import deposits.

For the immediate future, the authorities must simply reassert their control of events; a partly discredited central bank is ill placed to launch radical innovations. When the market has been revived, and monetary growth checked, there will be a strong temptation to write the whole summer off as an unhappy accident, and go on as before. It seems unlikely, though, that the criticism now begun will so easily be stilled; or that Treasury pressure for more effective and less expensive means of monetary control can be resisted by the traditional technical objections. Reluctantly the auhorities are being dragged into a new era.

Anthony Harris

'Lifeboat' still needed

THE EXTENT of the £1bn.-plus secondary banking crisis which struck the City with the troubles at London and County Securities at the end of 1973 is still emerging nearly three years later, and it is now clear that the episode ranks as one of the most lengthy and serious in financial history.

Last week's disclosure of *severe losses and unwise lending* at Slater Walker Securities was a vivid reminder that, for all the acclaim Mr. Jim Slater, the former chairman, once enjoyed, his business was no more immune than many others to misjudgment and disaster. Only the *provision of £45m. from a spe*cial £70m. Bank of England credit line—likely to be translated into longer-term help of £40m.—saved the Slater Walker bank from insolvency which could have brought down the whole group as well.

The case has also again illustrated how unhesitatingly the Bank of England has continued to step in to protect any troubled authorised bank—and the public depositors in other affected banks—even when, as lately, it has had to do so without the financial backing of the big commercial banks.

Slater Walker is only the latest in an admittedly thinning trickle of secondary and "fringe" banks which, since 1973, have had to turn to the Bank of England—in most cases jointly with the big banks—for the help needed to survive.

Until the big London clearing and Scottish banks called a halt in late-1974 to any further commitment themselves to this immense rescue operation, they and the Bank of England acted together to channel loan aid to needy secondary banks through the so-called "lifeboat" scheme. This important system, in which the Bank of England has a 10 per cent. share with the big banks financing the rest, continues fully in force for the great majority of the concerns affected and is likely to do for some considerable time longer.

Through the "lifeboat," funds of £1.2m.—some *three-quarters* of which is still outstanding—were provided to about 30 affected *banking* and financial concerns whose situation—first their cash and often later their *assets position—came under* pressure when the money boom of 1971-73 gave way to a harsher financial climate at the end of 1973.

Those hit and assisted varied from small banking concerns operating under Section 123 of the Companies Act 1967 to the largest recipients of support, United Dominions Trust, Britain's biggest finance house, and First National Finance Corporation, the finance group built up by its former chairman Mr. Pat Matthews, who has left *the Board in the past year.*

Both UDT and FNFC are groups which had created banking subsidiaries to take advantage of the large monetary expansion of the early 1970s by taking substantial sums in deposits and building up a loan business often against property, the glamour investment of that era.

The banks in these and a number of other groups obtained authorised status, a ranking which qualified them, when troubles built up later, to "lifeboat" backing of a very substantial and enduring kind. More generally, the "lifeboat" acted to protect the public depositors in any troubled banking concern, in the interest of guarding confidence in Britain's banking industry.

UDT and *FNFC* were also each typical, on a large scale, of a wide range of companies hit in the secondary banking *crisis, in that, when the property* market weakened, big losses were incurred through falls in the value of security held against their loans, in FNFC's case losses being on a very major scale indeed.

The two groups, the largest *recipients of aid from the* "lifeboat"—each still with at least £350m. on loan from that source — thus illustrate the classic experience of "lifeboat" passengers that serious asset losses were later superimposed on what had begun in *late-1974 as a cash crisis.*

The ways in which these problems of diminished assets and, in some instances threatened solvency, have been handled by the affected concerns and the "lifeboat" group have varied from case to case in the lengthy and delicate movement towards ultimate solution of the secondary banking crisis.

Take-overs

The methods have ranged *from take-overs* in some instances, such as that of the large Mercantile Credit by Barclays Bank, through capital reconstructions of varying extent in many others, to winding up of the company in yet further cases, such as *London and County Securities,* Triumph Investment Trust and Burston Finance.

All told, however, the past year has seen perceptible progress in reducing the commitments of the "lifeboat" group in one way or another. From the peak of £1.2bn. last year, the total sum on loan is now down to £800m.-£850m. (£166m. having been repaid after the Mercantile Credit take-over), while the number of recipients has fallen from 30 to about 15 now.

Two sizeable borrowers, Bowmaker, the finance house subsidiary of C. T. Bowring, and Keyser Ullmann have recovered well enough to have been "landed" from the "lifeboat," repaying their support loans, having received certain new bank credits, including, for Bowmaker, a £5m. loan from the Bank of England. Other borrowers have, in a number of cases, reduced their borrowings from the "lifeboat" support group.

Of the continuing recipients of "lifeboat" aid, some are large and well known, such as UDT, FNFC and the twice-reconstructed J.H. Vavasseur Group, while others are much smaller.

UDT and FNFC now account for the great bulk of the remaining lifeboat money, more than £700m. between them. UDT has considerably reduced its support borrowings from a peak of £460m. at one time, and has been saved several million pounds of interest a year through a reduction in the rate payable on its support loans and by a recent capital change under which its two largest shareholders, Prudential Assurance and Eagle Star Insurance, now hold preference stock in place of loan stock.

FNFC underwent a more radical reconstruction at the end of last year, avowedly necessary, after very heavy losses, to avoid liquidation. Its problems are still great, as the new chairman, Mr. John Glyn, who has described the outlook as "unpromising" has not attempted to conceal.

In terms of size, UDT—which has recently, under its chairman *Mr. Leonard Mather*, struck a more hopeful note in its pronouncements—and FNFC remain the principal preoccupa*tions of the "lifeboat,"* presided over by Sir Jasper Hollom, Deputy Governor of the Bank of England. There is little doubt that considerably more time will elapse before anything like the normality of independent operation can be looked for in either *case, while the outlook for* FNFC must, to judge by the company's statements, inevitably remain uncertain.

The clearing banks were insistent in late-1974 that they could not shoulder responsibility for helping further *troubled financial concerns be*yond the then existing £1.2bn. "lifeboat" total, and it has now become quite clear that the Bank of England has itself had to take on the commitment for aiding in later cases.

As a result of drawing the line in this way two years ago, the big banks now appear to be clear of the need to provide further in their accounts for the cost of the "lifeboat" operations. Considerable provisions were made by them—and the Bank of England—last year, but the clearers' latest results show that no additional provisions are apparently thought necessary.

The most major and perhaps the first of the later crop of troubled situations in which the Bank of England acted independently of the clearing banks *in a rescue move was where it* made available a line of credit in December 1974 to the Crown Agents. The Agents, the British State body which handles purchasing and investment for some 90 overseas Governments, had become involved to the ex*tent of well over £200m. in* investment in secondary banking and property and was facing a financial crisis.

The major action taken to control this situation—which has proved to involve the largest loss write-offs — some £180m. — for any concern involved in the secondary banking affair, was, however, the Government grant of £85m. and the effective Government guarantee of all the Agents' borrowings. So effectively *has* this—together with remedial action by the Agents' new chairman, Mr. John *Cuckney, to restore confidence* —stabilised the situation that the Bank of England credit line proved hardly required.

A year later, in late 1975, the Bank of England is now known to have stepped in with a £70m. credit line to Slater Walker Securities to prevent the *col*lapse of that group's bank after Mr. Jim Slater's abrupt resignation last October to be succeeded by Sir James Goldsmith.

The drawings of £45m. under this are likely to be replaced by £40m. which the group is entitled to draw from the Bank of England under an unusual arrangement through which the central bank idemnified Slater Walker against bad debts *in its loan portfolio to this extent to* enable it to continue operating assured of solvency. This central bank money seems likely to be tied up for several years, though SWS evidently hopes to pay it off eventually.

More recently, the Bank of England moved in to protect Edward Bates, another authorised bank and the first in London in which Arab interests (through First Arabian Corporation) have had a sizeable shareholding—one of 25 per cent. The Bank, with First Arabian, is protecting the *Bates deposits of* some £67m., an important move from the point of view of fortifying Middle East confidence in the safety of cash holdings in London.

More than half the Bates deposits originate from the Middle East and they may include official balances of some of the Gulf States. Means of channelling needed further capital into Bates—which has been hit by loan losses—are being urgently negotiated by the Bank of England with the company and *Middle East interests.*

Protection

The Bank of England has also acted to protect public depositors in the small Thames Guaranty banking concern, for which liquidation has been sought by a special manager.

Lessons of the secondary banking affair—which has just been vividly recalled to the public mind by the Slater Walker revelations — deserve long pondering and it is still too early to judge what the final consequences of the whole upheaval will be.

But one obvious inference is the vital need for tighter regulation of banking operations, a process already begun by stricter Bank of England supervision. The outline of a new official system of licensing and supervision—including a controversial deposit protection fund—has recently been issued by the Treasury. It will not be surprising if there is now increasing public demand for it to be hastened, if not made still more rigorous.

Margaret Reid

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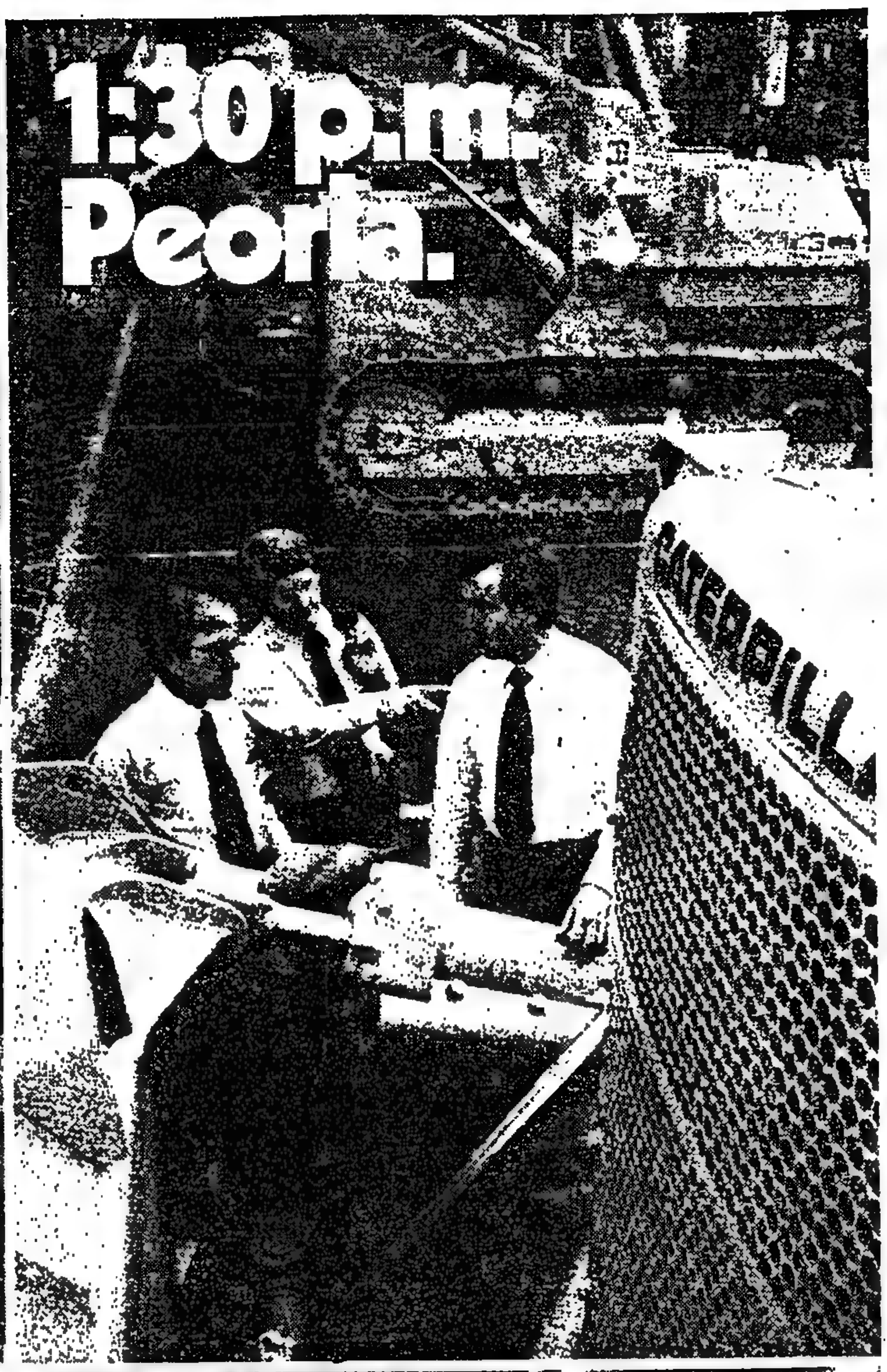
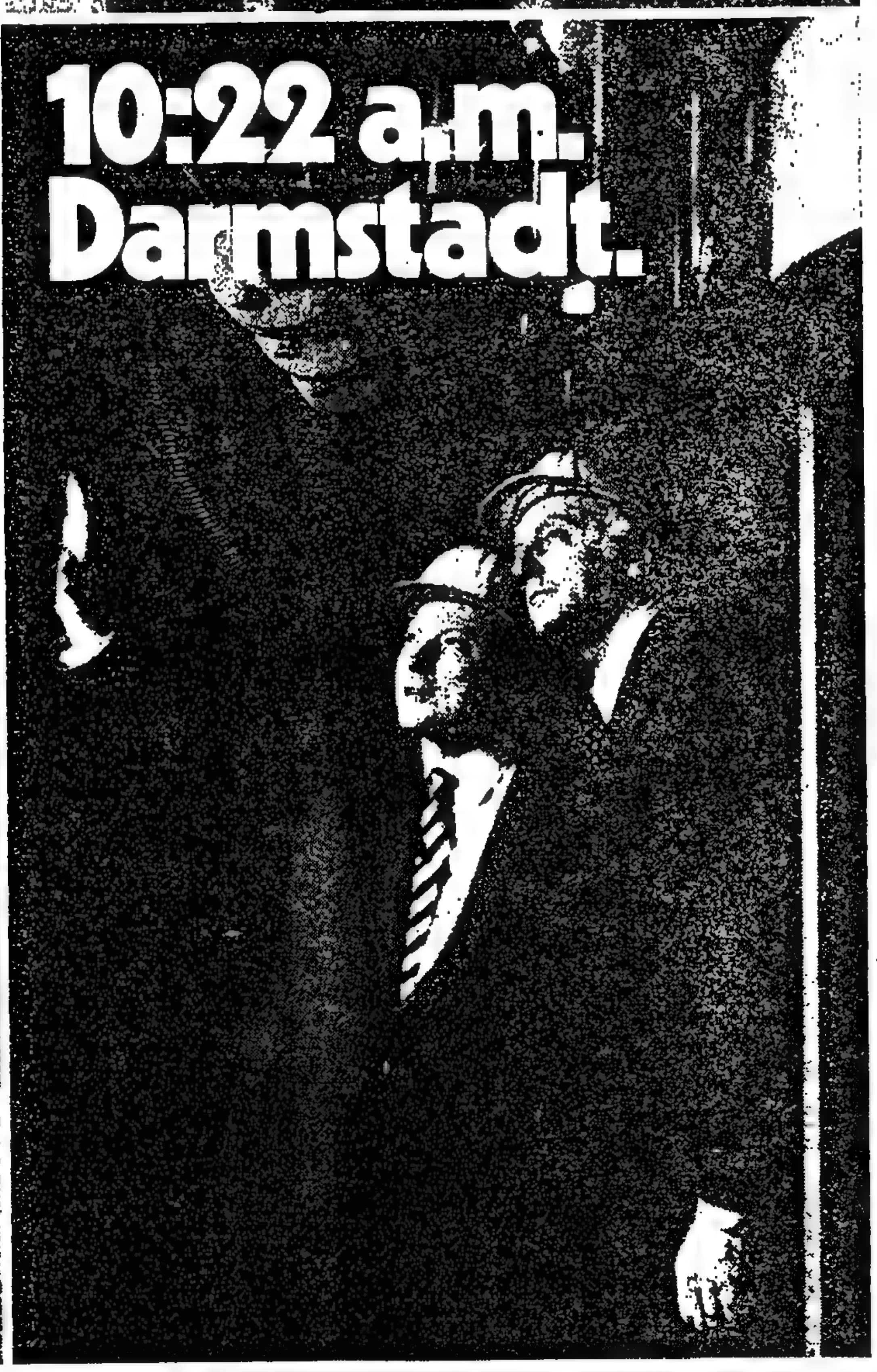


11:03 a.m. Hong Kong.
(L to R) Leung Wai-Ho, Bank of America, C.W. Young and R. Young, King Fook Gold & Jewelry Co., Ltd., solve a multi-faceted import problem.

1:30 p.m. Peoria.
(L to R) F.V. Dickinson, Caterpillar Tractor Co., R. Bivens, Bank of America, and H. Wascheck, Bank of America, discuss Bank of America's active role in financing Caterpillar's world-wide exports of construction equipment.



4:35 p.m. Caracas
(L to R) D. Bluhm, H. Stromeyer and C. Hamm, Jr., work out details of innovative joint-loan technique pioneered by Bank of America's Loan Syndication Group.

10:22 a.m. Darmstadt.
(L to R) Dr. Hans-Werner Hauck, Merck Company, and D. F. Stieber, Bank of America, formulate a global financing program for Merck.

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Latest supervision plan provokes debate

THE VIGOROUS criticism by *the clearing banks of the proposals* for establishing a deposit protection fund has concentrated attention on only one of the major innovations proposed in last month's White Paper on *banking supervision*. The plan is the most controversial and probably the most politically sensitive aspect of the proposals, and there is clearly scope for extensive debate about its details. But perhaps the most outstanding feature of the reaction has been the wide degree of acceptance commanded by the White Paper's other fundamental reforms.

The legislation, there is no doubt, will represent a landmark in British banking history. It will establish for the first time a formal system of licensing and supervision of all institutions which take deposits *from the public* (*perhaps as* many as 2,000 in total), with full statutory backing. It will also for the first time, create a precise definition of what is to be regarded as a bank and what institutions will be permitted to use that title and its derivatives.

There are probably two main reasons for the general acceptability of the proposals, apart from the deposit insurance fund; the general recognition *of the need for tighter controls* and the fact that the Bank of England is intended to retain and strengthen its role as the central supervisory authority.

The need for improvement *was heavily underlined by the* events of the fringe bank crisis. These made it clear that the existing situation was entirely unsatisfactory. The Bank of England's supervisory activities, by and large, had been confined to the relatively limited sector of the financial institutions which it regarded as qualifying as banks in the fullest sense.

Outside this area there existed a wide range of recognitions which for various purposes could be regarded as conferring banking status. They were based on differing criteria and coverage, with such supervision as was being exercised *split up among different* authorities. The existence of these recognitions, particularly the section 123 status under the 1967 Companies Act, played a large part in creating public confusion and the conditions which led up to the crisis.

The new proposals, building on the Bank's already considerably extended supervisory activities, will go far to eliminate the dangers inherent in the previous situation. In outline, they are quite straightforward: indeed, the White Paper itself was uncommonly short and lucid.

Legislation

The basis of the legislation will be to allow institutions to carry on the business of taking deposits only if they hold a *licence granted by the Bank or* if they are exempted from these requirements. General conditions for the granting of a licence will be laid down, including published criteria such as a certain minimum figure of capital and reserves. And, as is normal with this kind of regulatory mechanism, the Bank will also have to satisfy itself that "their management is honest, trustworthy and suitably qualified to undertake the kind of business which they intend to conduct."

The proposals also build in a continued progression of recognitions, which the Bank rather likes, by establishing a two-tier system. The Bank will be able to grant a new statutory recognition as a bank to certain deposit-taking institutions. This recognition is expected to apply to what is described as the present "primary" banking sector—though the area of coverage is still rather smudgy at the edges—and will include probably upwards of 300 *institutions*.

Recognition will have the effect of exempting the institution from the licensing requirements, though it will be given only on "exacting criteria" and *with continuing prudential* supervision by the Bank. And it will confer the right to use the name "bank" and its derivatives which will be firmly denied to licensed deposit-*taking institutions*.

The third main plank of the reform is the establishment of a mandatory and comprehensive deposit protection fund, which it is intended at present should provide protection against loss for sterling deposits of up to £10,000 or for the first £10,000 of larger deposits. The fund, to be administered by the Bank, is felt in the White Paper to be needed because even if the supervisory arrangements are strict and successful, they cannot altogether exclude the possibility of an institution finding itself in difficulties. It is necessary, therefore, to have a *backstop to help maintain* public confidence in the system.

Other aspects of the proposals include provision for appeal procedures against refusal or revocation of a licence; arrange*ments for* Parliamentary scrutiny of the operation of supervision; and exclusion of building societies, friendly societies, the trustee savings banks (at least until they have moved further on their road towards expansion of their banking services) and, more controversially, of the National Giro.

The White Paper suggested confidently that these proposals would be welcome to the financial community. And generally this has been the case. The banks and other deposit-takers recognise the need, and they are pleased that the familiar hand of the Bank of England will continue to exercise the controls. There are, however, a considerable number of details to be worked out and some aspects on which the institutions feel more discussion is needed.

One general point is the kind of prudential criteria which will be established for licensed institutions and for banks, and the extent to which these will be published and laid down by law. The strong preference of banks and the Bank is for *retaining a considerable degree* of flexibility in the arrangements, recognising that there may be wide differences of character between institutions carrying on the same kind of business and the need for differing criteria to be applied according to the nature of the activities being conducted.

Other points of detail to be sorted out include, for example, the scope which will be allowed *for institutions to pass from the* licensed category to gain full banking recognition. Probably the most important single point of detail is the question of what minimum capital and reserves should be demanded to gain a licence. This decision will play an important part in determining the ease of entry to the deposit-taking business, the degree of competition in the industry and the burden of supervisory activities imposed on the Bank.

It is the deposit protection fund which has attracted the fire of the banks. They would much rather not have it at all, arguing that if the supervisory arrangement works it should not be needed and that in any case they fail to see why they should contribute funds to help rival institutions compete for deposits. If it is inevitable that deposit protection arrangements should be set up, as seems probable politically, the banks would *greatly prefer that they should* be in the form of guarantees provided by banks and deposit takers, to be called on when necessary, rather than a specific fund contributed in advance. Guarantees, it is argued, would among other points in their favour limit the administrative cost of the exercise.

Guarantees

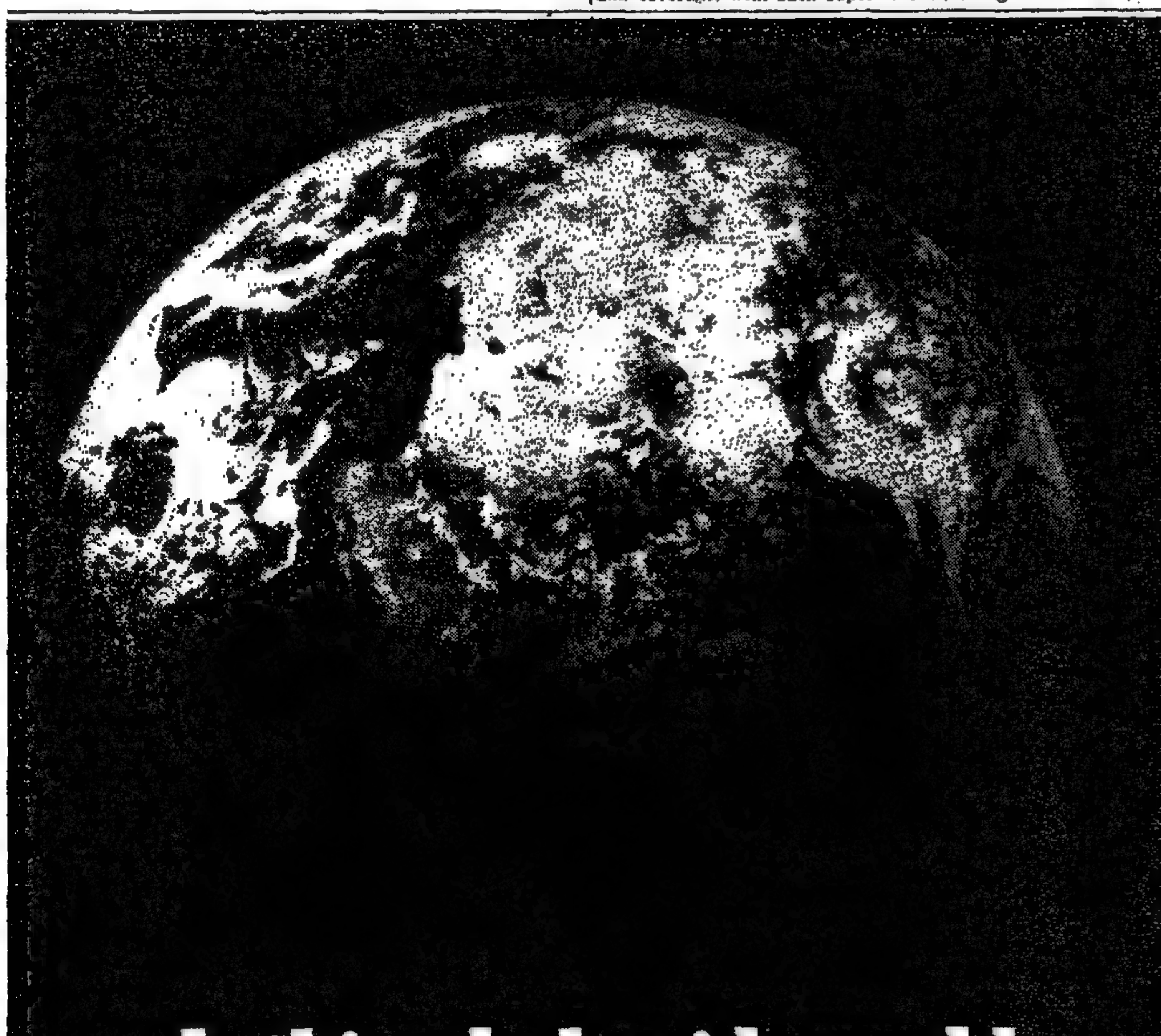
It is recognised, however, that it may be felt necessary to establish a fund in the interests of public confidence. And it is also recognised that guarantees might have to be subjected to a special arrangement—for example, an annual limit with the Bank acting as temporary lender of last resort—in order to enable the banks to account to shareholders for what would otherwise be an unspecified liability.

Other fundamental points which have to be sorted out include the basis on which contributions should be made to a fund or a guarantee system. *And a most important area to* be discussed is the actual coverage of the insurance offered t[o] small depositors. It has to b[e] decided whether it should b[e] limited to non-corporate deposit[s] and whether special arrang[e]ments should perhaps be mad[e] to exclude in-house deposit[s] such as a finance house may tak[e] from its parent company [o]r bank. And there is a stron[g] feeling that a limit should b[e] put on the extent of the cove[r] provided in order not to giv[e] too much encouragement to th[e] greedy depositor.

Thinking among the bank[s] and finance houses is that th[e] insurance should probably b[e] limited to 75 per cent. of a[n]y deposit. The ideas being floate[d] by the British Bankers' Associ[a]tion working party on the su[b]ject include the suggestion th[at] there should be only a sma[ll] insurance fund—of, say, £5m.—backed by guarantees whic[h] would enable the system to b[e] operated on a relatively simp[le] basis.

The banks — which have tw[o] working parties within the BB[A] and the Committee of Londo[n] Clearing Bankers — and oth[er] institutions are working o[n] representations to be made t[o] the authorities which are e[x]pected to lead to further exte[n]sive discussions. The final deta[ils] of the arrangements still ha[ve] largely to be filled in, and th[e] outcome will depend both o[n] what emerges as desirable fro[m] the discussions with the i[n]dustry and on what is seen to b[e] politically necessary.

M.[B.]



Increased charges are still necessary

AT THE END of this year, personal customers of all the big four banks will for the first time be presented with bills for running their current accounts on the new tariffs established after *the banks had received Price* Commission approval to raise their charges. The changes do not mean the end of the era of free banking; all the banks calculate that a large proportion of their personal customers will still attract no charges at all, ranging from an estimated 60 per cent. or more at Barclays to upwards of 80 per cent. elsewhere. Nevertheless, the moves this year represented a sharp reversal of the cuts in charges introduced in the round of competitive price reductions which was a feature of the 1973-74 period.

The reasons for the banks' approaches to the *Price Commission* have been clearly enough explained. Running the personal current account is generally one of the more costly parts of a bank's operations, and while some element of subsidy may be tolerated because of the valuable current account funds which accrue as a result, the banks generally are unhappy to see the level of charges fall too far out of line with the costs *involved. This had clearly* been happening, not only in relation to personal current accounts but on much of their other business as well.

Frozen

Charges to personal customers had been held at their reduced levels for two to three years. For business customers, charges had been frozen under the Price *Code since 1972 and in many* cases had not been changed since the late 1960s. Similarly many of the specialised services offered by the banks on a fee basis were still being paid for at rates fixed years earlier. Meanwhile, the costs of the banks had risen sharply. Explaining the increases at Barclays, for example, Mr. Deryk Weyer, the senior general manager, said the bank's operating expenses had doubled in a period of three years and were expected to rise by another 20 per cent. this year.

The situation, the banks argued, was bringing increasing pressure on their profits—with some services, such as the trust business, being run at a loss. Moves to correct this problem began at the end of last year, when several of the banks gained approval to lift the charges made for some ancillary services. When Barclays then made its application for general increases in current account charges, it was quickly followed by the other big banks. And the rises are affecting business customers, who unlike the personal customers negotiate their charges individually, even more *substantially*—some may face rises of up to 50 per cent.

The pressure on bank costs, however, though exceptionally heavy in the recent inflationary period, is by no means a new phenomenon. *In historical perspective*, it may be the period of price cutting which will be regarded as exceptional rather than this year's renewed upward trend. Before then, the level of charges had been tending to rise.

The banks came under growing pressure to rationalise the structure of their charges to reflect the real cost of their services, particularly after the publication of their true profit figures highlighted the differing *performances of the Big Four.* While it has never been particularly easy to discern the logic of the basis on which charges are calculated—there remain substantial differences in the systems adopted by individual banks—it is doubtful whether even now the personal customer is covering more than a proportion of the real economic cost of carrying out his business.

The reasons for the round of cuts in 1973 and 1974 lay in the exceptional profits achieved by the banks. They became very sensitive to the argument that they had benefited with no particular effort on their own part from high interest rates and an *expansion in the level of activi[ty]* induced by official policies a[nd] in a climate in which the results became a political issu[e]. One answer to criticism was [to] give some of the profits ba[ck] to customers—*at one sta[ge]* Barclays even gave a 25 p[er] cent. across-the-board rebate [on] commission on current accoun[ts] to all its business customers.

The climate has now change[d] to the extent that the bank[s] have felt able to justify renewe[d] rises in personal current accou[nt] charges. But the innovations [of] 1973 and 1974 have left a su[b]stantial mark on the bankin[g] system. Not all the banks, f[or] one thing, have reversed th[e]

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Interbank market role grows

[T]E WHOLESALE money [ma]rkets in interbank lending [and] issues of sterling certifi[cat]es of deposit form an estab[lish]ed and vital part of the [Cit]y's banking structure. But [in] the past few years they have [un]dergone a *substantial change* [in] character.

[R]ecent developments are [ill]ustrated by the sharp move[me]nts in the amount of money [wh]ich has been raised by the [ba]nking system through this [me]dium. *Issues of sterling* [CD]s, the more *sensitive* [in]*dicator of the changing* [cli]mate, leapt from just over [£1b]n. towards the end of 1971 [to] reach a peak level of not far [sho]rt of £6bn. at the end of [19]73. Since then, the total has [co]me back again to a level just [ove]r half the peak. Even *inter*[ban]k loans, a longer established [an]d more stable element of the [ma]rket, have seen a significant [red]uction in volume from the [gro]ss figure of some £8.6bn. out[sta]nding at the end of 1974.

[T]here have been two major [fac]tors contributing to these [mo]*vements—the rise and subse*[qu]ent collapse of the fringe [ba]nking sector and the recent [sta]gnation of demand for [ad]vances from the major clear[in]g banks after the boom period [of] 1973. The big growth in [the]se markets followed the [int]roduction of the new policy [of] competition and credit con[tro]l in 1971, paving the way [fo]r a period of freedom from [len]ding restraints and rapid [mo]netary expansion.

[I]ncentive

[T]his provided an incentive [fo]r banks of all kinds, including [th]e fringe, to build up their [de]posit base rapidly in order to [ta]ke advantage of the new lend[in]g opportunities. At the same [ti]me, it removed the inhibitions [wh]ich had previously limited [th]e participation of the big [cl]earing bank groups in these [m]arkets and enabled them to [pl]ay a full part in their expan[sio]n.

The consequence was an [ex]*pansion of the wholesale* [m]arkets—also known at the [ti]me as the "*parallel*" markets [to] distinguish them from the [m]ore traditional channels of the [Ci]ty's discount market—which [h]*elped to fuel the expansion of* [le]nding and became a source of [co]*ncern to the Bank of England* [be]cause of its relative lack of [co]ntact with and *control over* [th]is phenomenon. The official [a]wareness of the growing [im]portance of the wholesale [m]oney markets was reflected in [th]e "corset" controls imposed [o]*n the banking sector at the end* [of] 1973, which in the interests [of] monetary stability *put* a very [ef]fective limit on the extent to [wh]ich the banks could *increase* their reliance on this source of funds and contributed to the *restraint in lending during 1974.*

At the peak, some of the big clearing banks themselves were relying on wholesale funds for over a third of their total deposits to support their expanding lending totals. For other banks these sources of funds were even more important. The interbank loan is a mainly very short-term *form* of unsecured lending between banks which enables surplus funds to be channelled direct rather than *through the discount market.* The sterling certificate of deposit, on average rather longer term, is a negotiable instrument which holders can sell on a secondary market, and while it overlaps with the interbank market it also provides a vehicle for attracting funds from outside the banking system—particularly the spare short-term funds of big companies and institutions. Together they contributed a major impetus to the growth of banking and near-banking.

The fringe bank crisis which started in late 1973, however, brought a setback. It created a situation in which lenders, including the banks themselves, began to take a much more careful look at the status and stability of the borrowers. A significant contraction of activity followed, with many borrowers finding to their cost that the money they had relied on was no longer available to them. Even now, the marks of this painful experience can still be seen, and while banks report some signs of lenders outside the banking system again being prepared to lend more widely to gain a small interest rate advantage, the markets are generally far more cautious.

At the same time, the increased caution has been *reflected in a marked shortening* of the period for which wholesale money is available. At the height of the boom, funds could *be raised for periods of two* years with ease, with CDs being dealt for as long as 5 years and 5 years ahead—in effect a forward market extending up to *10 years.* Nowadays the active period for wholesale money *is three months,* with 6 months relatively long and beyond that *little on offer.*

Over the past couple of years, *moreover,* the *big clearing* banks, which were one of the *main beneficiaries of the greater* caution being exercised by lenders, *have themselves not* needed so much wholesale money. Those which were relying on the markets for over a third of their funds have cut back to perhaps around a quarter. The clearing banks have seen virtually no growth in their lending—apart from the rises which have begun to come through in the past few months—while they have experienced a continuing inflow of funds from their branch current accounts and deposits.

An important development for the big banks has also been the substantial growth in what can be described as branch wholesale money. This is provided by the larger deposits—normally those above £10,000—on which the banks are prepared to pay *a rate of interest related to* going money market rates as *opposed to the much lower* 7-day deposit rate. The interest *offered will vary with the size* of the deposit and its period.

The evidence is that the considerable increase in the volume of this money *has represented* to a significant extent a net addition to the banks' resources rather than simply funds switched from existing deposits. It is, moreover, a relatively stable element in their deposit resources as compared with the purely wholesale money raised through the open market.

In this situation the somewhat reduced activities of the wholesale money markets appears to have settled down to fulfil what may be regarded as their continuing long-term role. For some sectors of the London banking community such as the American banks in the City—lacking access to the extensive base of stable branch deposits of the clearers—they provide the main base for sterling operations.

For the clearing banks they provide an essential flexibility in handling fluctuations in the level of activity. The clearers, in point of fact, have tended consistently to be net lenders in the interbank markets, with the *London* clearing bank groups showing last month sterling loans of £4.75bn. to other banks *against their own borrowings* from the banking system of *£2.9bn.* (though *in* CDs the position is reversed).

Flexibility

The clearing banks are probably not in the present climate dependent on wholesale funds to any *great* extent to support their ordinary domestic lending; the growth of their branch funds has been enough to take care of that. These markets are, however, a vital source of flexibility in meeting the substantial short-term fluctuations which can take place in the position of the banks.

The growth of wholesale markets has indeed contributed towards increasing these fluctuations. Big bank customers *have become extremely* sensitive to even small rate differentials, and as has been seen in the past couple of months *considerable* volumes of lending can be switched away from the *clearing* banks to other sources and back again in the short term. *The banks'* continuing presence in the wholesale *markets enables them* to cover these movements.

The wholesale markets are also likely to be increasingly important in relation to the expansion of the banks' lending particularly for medium-term periods. This lending has to be matched by appropriate deposits, with the bulk being done on the basis of money *market* rates adjustable at periods of three or six months. Many bankers expect that there will be an increasing amount of lending done, particularly to the large corporate customers, *at rates related to the market* levels rather than to their own *base lending* rates which determine the cost of overdraft money.

Finally, when the demand for loans does begin to show convincingly the long-awaited upturn in response to economic recovery, there is no doubt that the wholesale markets will be capable of providing extra funds to meet the needs of industry thus enabling the banks to cope with the longer cyclical fluctuations in their lending pattern.

M.B.

STERLING BORROWING
(Interbank and CDs £bn.)

	Interbank	CD issues	Total
1974			
March	8.1	5.1	13.2
June	8.4	5.1	13.4
September	8.4	5.2	13.7
December	8.6	4.3	12.9
1975			
March	8.3	4.1	12.4
June	8.1	3.9	12.0
September	7.7	3.2	10.9
December	7.4	3.0	10.4
1976			
March	7.7	3.2	10.9
June	8.1	3.3	11.4

Increased charges

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[d]ownward move on charges, so [th]at customers are left with a [s]ignificantly wider choice of [c]ompetitive opportunities. And [p]erhaps most fundamentally for [th]e operation of the banking [s]ystem, the customer now knows [e]xactly how his charges are [a]rrived at, with the publication [o]f a clear tariff of rates by all [th]e clearing banks.

This is in marked contrast [w]ith the earlier situation, in [w]hich charges were settled by [th]e local manager, with general [g]uidance from head office, [a]ccording to his assessment of [th]e cost and the value to the [b]ank of the individual account. [U]ntil the cuts began in 1973, [th]e only tariff generally avail[a]ble was the special arrange[m]ent under which the big banks [j]ointly offered relatively cheap [t]erms to employees of com[p]anies which agreed to pay [w]ages directly into bank [a]ccounts—a system known as [t]he group or employee terms. [I]ndeed, when Barclays first [p]ublished a tariff applying to all [p]ersonal customers it took the [f]orm of adapting the group [t]erms for general use.

Some elements of the sliding [s]cale which was a feature of the *[g]roup terms* remained in the [L]loyds tariff until this year. *[B]ut now the charging systems* [o]f all the clearing banks have [a] *basically similar structure,* in[c]luding a minimum qualification [w]hich has to be met in order [f]or the personal customer to [q]ualify for free banking, a flat [r]ate of charge for transactions [f]or customers who do not meet the minimum and generally an offset allowance for any balance in the account. Among the banks, however, there are considerable variations in detail and in the character of the changes introduced this year.

Doubled

The changes brought in by Barclays, for example, were among the stiffer increases. Barclays retained its alternative systems for free banking, offering customers either a minimum balance figure or an average balance as the qualification. But the figures were doubled to a minimum of £100 or an average balance of £200. For customers who failed to meet these criteria, the charge for each withdrawal was lifted from 7p to 10p a time (an amount which it is reckoned may still not cover much more than half the actual cost of paying a cheque or standing order). Against this, customers are allowed an offsetting nominal rate of 5 per cent. a year on the value of any balances in the account.

National Westminster introduced a similar increase in the *charge for withdrawals* on accounts which do not meet the free banking requirements, also with a 5 per cent. offset. But *this bank decided* not to lift the minimum qualification for free banking, *which remains* at a relatively modest £50 balance. *The Midland, which had* previously maintained the lowest requirements among the Big Four and had offered free banking to all customers who kept in credit or maintained an average balance of £50, increased the qualification to a straightforward £50 minimum balance. Midland charges 9p a time for withdrawals where less than £50 is maintained, again with a 5 per cent. offset.

Lloyds took the opportunity to simplify its previously relatively complicated sliding scale tariff. The bank now requires an average credit balance of £150 or more for a customer to qualify for free banking. Below that limit, it charges 9p a time for debit entries, with an offset *allowance at 4 per cent.* These illustrate the variations on the basic themes which exist among the big banks; and the differences are even more marked with the smaller banks. Both the Co-operative Bank and Williams and Glyn's have avoided any increases in their personal current account tariffs—though the latter has promised to maintain this situation only until the middle of next year—and both still offer free banking to all personal customers who keep in credit.

Opposite

For other customers, there are differences. The Co-op, for example, charges only 4p a time for debit entries when an account becomes overdrawn, but this rises to 7p for standing orders and direct debits. Williams and Glyn's take the opposite view, charging less for computerised transfers such as standing orders, at 6p a time, than the 8p charged for other entries, but also exceptionally charging for credit items. In general, these two smaller banks have a clear competitive edge over their bigger rivals, and have evidently made a conscious decision to retain this marketing advantage. For Barclays and the other big banks there may be little attraction in running a service well below cost: *for the smaller banks,* which may reasonably hope to attract significant numbers of new customers away from their big competitors, cheap current accounts make sense.

M.B.

HOW TO GET FREE BANKING
PERSONAL CURRENT ACCOUNT TARIFFS

	Balance required: old	Balance required: new
Barclays	£50 minimum or £100 average	£100 minimum or £200 average
Co-op	in credit	in credit
Lloyds	£100 average	£150 average
Midland	in credit or £50 average	£50 minimum
NatWest	£50 minimum	£50 minimum
Williams and Glyn's	in credit	in credit

U.K. BANKING VIII

Shares still languishing

BANKING profits appear to have turned the corner, but the stock market is anything but convinced that banks have been truly restored to health. Clearing bank shares have underperformed equities in general by about 5 per cent. so far in 1976, and with yields close to the average they have lost their one-time high status—the average p/e is only about three-quarters that on industrial shares. Still worse is the predicament of merchant bank shares, which have fallen as much as a fifth against the market this year, so that the shares of once-glamorous major merchant banks like Hambros and Hill Samuel now languish on yields like 8 per cent.

At the root of much of the uncertainty lies inflation, which has an insidious effect on the balance sheets of financial concerns. In practice this has shown up in the wave of rights issues through the sector: following Midland's move in March 1975, Lloyds raised £74m. last January, Standard Chartered followed with £31m. a month later, and National Westminster asked shareholders for £66m. in July.

Significance

A glance at the bank sector in the FT-Actuaries table of indices will indicate that the dividends paid by the clearing banks are covered a handsome four times. But there is a big debate about the significance of such calculations, based as they are on historic cost accounting. Within the clearing banks themselves there has been a keen argument about the need to provide against the inroads of inflation. This debate has increased in tempo since the Sandilands Committee a year ago decided to ignore monetary items and recommend adjustments to accounts only in respect of physical items like fixed assets and stocks.

Since banks deal mainly in money, their profits are little affected by current cost accounting as at present proposed, and as a consequence they can hope for little in the way of tax relief. Yet the erosion of their capital bases in real terms is none the less a serious practical problem, making it impossible for them to sustain—let alone increase—their levels of real activity without declines in their capital ratios or the periodic need to inject new capital resources.

Another side to the problem can be seen in the difficulties of running foreign currency books in a period of declining sterling exchange rates. Even for the London clearing banks foreign currency deposits represent a sixth of the total and for the accepting houses the proportion is well over half. Foreign currency loans allow the banks to offset this currency exposure to some extent, but the tax authorities may argue that "gains" on assets financed in this way are taxable. Hambros Bank, for instance, has a theoretical liability of £3.75m. on this account but its last report said the bank "would strongly resist" any attempt by the Revenue to collect.

At this stage the banks can be criticised for trying to have it both ways on profits. When the Big Four clearing bank reports came out in the spring only one chairman—Sir John Prideaux of NatWest—discussed inflation accounting. None of the U.K. banks has given inflation adjusted figures. At the time of the 1976 interim figures in July and August the clearers seemed to revel in figures which were much better than the multitude of stockbroking analysts had predicted.

Yet later in August the chairman of Barclays, Mr. Anthony Tuke, was writing in strong terms to the Morpeth Steering *Group on Inflation Accounting.* In his role as chairman of the Committee of London Clearing Bankers Mr. Tuke attached great importance to inflation accounting. He warned that serious repercussions "would stem from a failure to achieve parity of treatment within the Sandilands' concept of profit."

What the banks want is a system whereby any companies which by the fundamental nature of their business need to hold monetary assets are able to make provisions, before arriving at operating profit, for extra capital needed to keep up with inflation. By implication, a substantial part of the profits recently declared by the banks—on which they are liable for corporation tax—is illusory and needs to be ploughed back to prevent the erosion of the capital base.

Measured on the traditional basis clearing bank profits have improved sharply. In the first half of 1976 they rose by something like 50 per cent. on average at the pre-tax level, varying from a 60 per cent. rise at Midland to one of 36 per cent. at Lloyds. The absence in all cases of special provisions was a major factor. Domestic banking margins have also been good—benefiting from decreased reliance on expensive wholesale money—and overseas profits have been buoyant.

The outlook is also good. In the past few months loan demand has at last started to recover (though only modestly so far) and last week's hoist of base rates to 12 per cent. should be good for earnings. Meanwhile costs are less of a problem, particularly on the salaries side where increases have decelerated rapidly from the annual 20 per cent. or more which they reached in 1974 and 1975.

With earnings rising and with bank nationalisation proposals in the air it is all the more important that the clearers should sort out how to present their profits. Back in 1972 at the time of the so-called profits boom they were pressurised into giving a lot of their profits away through such measures as "free" current account banking. But profits declared at that time turned out to have been grossly overstated through the failure to provide adequately for inflation and bad debts.

Reluctance

It may not be entirely cynical to suggest that the reluctance of the clearers to take action on inflation accounting so far has been related to the wave of rights issues. With only Barclays yet to make a call on shareholders—and it has been the best placed of the Big Four to avoid doing so altogether—the pressure to show high profits and high dividend-paying ability will be somewhat less.

It is important to realise that the ability of banks to make provisions in their accounts against the need to top up their capital does not depend upon the Sandilands Committee or the Morpeth Steering Group. Such provisions could have been made at any time. These semi-official bodies and their recommendations are, however, relevant to the question of whether provisions against capital erosion will at some stage in the future be allowable for tax.

Plainly the clearing banks would like tax relief; they see this as putting them on a par with industrial companies which at present get tax relief on stock appreciation and in the future are also likely to be able to provide for the replacement of fixed assets out of untaxed profits.

But it is slightly damaging to their case that the clearers have not been willing to take an initiative. Their letter to the Morpeth Group could also be viewed as asking for a measure of special treatment and there seems no prospect of the Steering Group granting them this.

But for all the uncertainties about the quality of clearing bank earnings, the role of the clearers within the economy seems assured. The problem in the much more hard-hit merchant banking sector of the stock market is that it may be much more difficult for these *banks to achieve a prosperous* future. Moreover they carry extra exposure to currency fluctuations, and inflation itself is more damaging because the merchant banks tend to operate on wider, more vulnerable, capital ratios than the clearers.

The large merchant banks are facing stiff competition for medium-term lending business from the clearing banks in the U.K., while the big U.S. and European banks are challenging for the international business. There are still opportunities for smaller merchant banks in the financial services field and in corporate finance, but this is not a growth area at present and the moves overseas by many groups have yet to pay off consistently.

Barry Riley

Clearers developing merchant side

THE EMERGENCE of merchant banking subsidiaries of the clearing banks—though part of the continually changing face of the City, and on the face of it an eminently logical move on the part of their parents—does tend to raise a variety of questions about the future of U.K. banking, particularly in the independent "traditional" sector. Several schools of thought exist but in the main the issue centres around the ability, on the one hand, of independent merchant banks to survive the combined onslaught of inflation and competition from well-muscled clearing and overseas commercial banks: and on the other the ability of the clearing banks, from a completely different tradition of banking, to provide the flexibility and "flair" commonly associated with the independent merchant bank.

Inevitable

Supporters of the first point will see the arrival of Barclays Merchant Bank and of County Bank, owned by the NatWest, and indeed the full acquisition of Samuel Montagu by Midland Bank in 1973, as inevitable. This is surely the answer, they would say, to dealing with the problem of a capital base which may prove inadequate to keep up with the expanding needs of clients and the challenge from commercial banks on large syndicated loans.

Of course, a great deal of re-thinking has had to be done in merchant banking circles as the flourishing days of the late 1960s and early 1970s gave way to the crisis in secondary banking. This crisis penetrated to the heart of the accepting house fraternity, with the departure of Brandts from the committee after disastrous loan experience.

The string of glamorous takeover battles on the corporate finance side, rising property values, and the booming international stock markets that characterised the earlier period cannot be expected to return in the short term. To make matters worse, the recent and in relative terms continuing high rate of U.K. inflation places great strain on the ability of merchant banks to maintain acceptable capital ratios. This process has not been helped by the associated slump in sterling, which, as more than half of bank liabilities are in the form of foreign currencies, is an obvious constraint on banks wishing to run sizeable currency books.

Against this background a number of merchant banks have arranged sources of international support, or at least reinforced existing connections. The placing of Arbuthnot Latham shares with Canadian interests, the £2m. equity injection by two German banks into Leopold Joseph and the deal between Fraser Ansbacher and the Lissauer Group are examples of this trend. Indeed, it probably signals the direction the independent merchant banks are likely to take in the future.

Before looking at how the clearing bank subsidiaries fit into this picture, it might be worth looking at the traditional activities of merchant banks, although there is an enormous variation between them in emphasis. In essence, there is the original acceptance credit business, medium and short-term lending activities, and deposit taking. More widely known to the general public is the investment management side (almost £10bn. of funds is thought to be controlled by accepting houses) particularly on the burgeoning pensions side, but also in the field of unit trusts, investment trusts and wealthy individual clients. Again there is the activity of capital raising, more often on the Stock Exchange but in some cases on the syndicated Euro-currency market, and corporate advice and takeover strategy.

It is from dealing turns on net interest lending, commissions and fees and "position-taking" in various markets that the merchant bank makes its living.

As a matter of history, merchant banking subsidiaries of clearing banks largely began life in the mid-sixties when cartel agreements controlled clearing bank deposit rate structures. The idea was to cash in on the expanding and profitable wholesale market operations developed by the secondary banking system. County Bank has the lead on Barclays Merchant Bank in that it resulted from putting together in 1969 Westminster Capital Issues and County Bank, which up to that point had been a typical deposit-taking and dealing operation.

Although County has recruited strongly from outside for executive talent, Barclays Merchant Bank, the recently renamed Barclays Bank (London and International), made the sharpest point in the development of merchant banking expertise by recruiting Mr. Charles Ball from Kleinwort Benson to become head of its operation. In fact there was something of a precedent by Midland when it brought in Mr. Philip Shelbourne along with Drayton.

But this side of the Merchant Bank's activities, although it has been involved in several important takeovers and Mr. Ball himself has recently been leading the assault for Tate and Lyle against Manbré and Garton, is less important than its medium-term lending activities. Mr. Ball points out that although the parent clearer itself goes in for medium-term lending, the Merchant Bank is able to lend "a lot and quickly", backed by the "name" of Barclays on the deposit-taking front.

Corporate advice is also available from the branch network but is only for small companies. There is a gulf between the local bank manager and those with a specialised knowledge of company law, stock exchange rules and the ability to assess the economic industrial trends in the country.

Separation

The accusations of traditional merchant bankers that the clearing bank version of their trade raises difficult problems of "conflict of interests" and "independence" find little support in the clearing bank subsidiaries. All stress the complete separation of parent and subsidiary and County can also point to the Fodens rescue episode, which was sparked off by the decision of its parent to refuse extra bank facilities to the company.

Internally, Barclays Merchant Bank in fact makes a point of developing stronger links between corporate financial advice and the provision of medium-term loans. What does distinguish Barclays Merchant Bank from other banks and also County Bank, is that it has no investment department. This is of course handled elsewhere in the Barclay group by the Trust Company. County by contrast manages over £900m. of funds, of which about £370m. consists of the five National Westminster unit trusts and the Bank's own pension fund.

As both parent banks are heavily engaged in short-term lending, traditional merchant banking activities like acceptance credits do not bulk large in the life of their merchant banking subsidiaries. On the international side too a certain amount of toe-treading has to be avoided. Both banking groups have well-developed international arms so that, compared with the independents with large foreign currency business, the clearing bank subsidiaries are not typical of traditional merchant banking although they would be willing to provide specific clients with currency facilities.

County is also perhaps unusual in having a portfolio of equity stakes in companies about 50-60 in number, and largely in the form of loan with options.

If imitation is really the sincerest form of flattery then the traditional merchant banks have every reason to feel pleased with themselves. The impression among many bankers is that the clearers have to some extent been making up for lost ground on the more innovative side of financial markets. At the same time they do not in general seem unduly alarmed by the encroachment of the clearers on their traditional areas of operation. Indeed, the approaches of the two groups of bankers are different at the moment. But the problems facing the *independents, mainly* the requirements for hardy balance-sheets and large lending and deposit-taking capacity in order that they may compete for the substantial international loan syndication business, are present.

The branch banking network may seem a poor substitute for the wealth of top-level connections enjoyed by the traditional merchant banks but it is being exploited. However, in the market for top-class specialisation and professionalism there is still a lot of room for both.

Terry Wilkinson

Discount houses

THE YEARS of 1976 and 1973 have certain features in common as far as the discount houses are concerned. Interest rates tended to rise throughout both years with Minimum Lending Rate reaching a peak of 13 per cent., but while the houses hovered on the brink of bankruptcy a little over three years ago there will be no such problems this year.

There are two main reasons for the difference between 1973 and now. The first is that interest rates have increased more gradually this year; the second is the different make-up of the discount houses' investments from three years ago.

Since the end of April this year MLR has increased by 4 per cent. It went up by 2½ per cent. between the end of April and end of May, and by a further 1½ per cent. this month.

These increases may cause some problems as the margin between borrowed money and current investments is eroded and profit margins with it. A rise of 4 per cent. over five months has not been too severe a strain, although it is probable that many houses have not been too profitable over this period.

A jump of 3½ per cent. in MLR in the short space of eight days in 1973 was entirely different and the houses could not cope with it, although this was partly because of one major factor which forms the second main difference between this year and three years ago.

This is the radical change in the type of investment held by the houses. The emphasis now is very much on short-term Government paper as opposed to much longer term investments, particularly gilt edged-stock. The houses are still large traders in gilts but no longer large investors. The severe shortening of discount houses' books has been a good defence against volatile domestic interest rates over the last three years.

Surprise

MLR is now as high as it has ever been during peace-time. The latest move by the authorities came as something of a surprise in some quarters. The sharp rise was made, however, not only as a protection for sterling in the face of the seamen's threatened strike, but also as a measure to control the money supply and at the same time help fund Government spending.

The hoped-for increase in gilt edged sales should go some way to achieving both goals. The interest rate differential between London and New York is now around 7½ per cent. and appears to leave some scope for a gradual decline in MLR in future months.

Providing gilt-edged sales proceed as the authorities hope, the discount houses can look for some profits in this direction. At the beginning of the year the profit situation appeared quite good, but since action was taken to assist the pound by raising interest rates in April the position has been more difficult.

The latest rise in interest rates causes some problems in the short term but should provide long-term benefits to the houses.

A gradual reduction in interest rates, whenever this begins, will improve the profit situation. The resulting increase in the margin between the yield on investments and the lower cost of borrowed funds will provide a welcomed improvement. A similar situation in 1974 and at the beginning of this year brought considerable benefits to the houses.

It had been confidently predicted in the money market that an increase in MLR would occur some time before the end of the year, and interest rates for periods of over three

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Impact of Credit Act

ENTING the Consumer et is proving a complex thy business, with the regulations which have produced presenting a of problems and to the banks and houses which will be he organisations most affected. The Act the Statute Book in id there is no real t about the purposes h it was designed. It sure that consumer s are given a fair deal, rtunity to examine and ne terms of the loans e offered and proper n. These aims, and the by which they are to ieved including the -lending" provisions legislation, are fully by the major lenders.

r, however, even the operation involved in cise has proved an un- burden, while the ation of the main regulations under the not yet got under way. ly to be some consider- e before the new legis- s fully effective. The process has been the jor development under rules, the details being ed early this year. The f Fair Trading (OFT) then a programme in ges under which a total 100,000 licences are ex- o be issued. This will be est peacetime operation ind ever carried out in ntry, affecting not only lenders but an extensive of other people and tions — shopkeepers, s, accountants and even ers.

econd stage of this pro- s had to be postponed, because of the problems ered during the first id the pressure of work OFT. It may also be con- however, that the stage, which covers the lenders including the and hire purchase com- is being delayed: since sential for this part of ration that some of the l regulations to be established under the Act should be ready. The decision will give the OFT both time to catch up with its backlog in issuing licences and to make progress with the detailed rules.

The first stage of licensing covered credit reference agencies, debt collecting, debt adjusting and debt counselling. Some 20,000 applications have been received in these categories, about the number expected, including some organisations which will require licences under several heads. The timetable for this was set for applications to be submitted *in the period between February* 2 and May 31, with the appointed date—the day from which licences are required to be held—on August 3. After *that date, people in the categories* covered are required to have licences or at least to have submitted a valid application: if they operate otherwise, they will be breaking the law and subject to penalties, and run the risk that transactions entered into will not be enforceable.

Difficulties

Issuing the licences, which last for three years, is more than a routine business. The Director General of Fair Trading has to satisfy himself that applicants are fit to carry on a business, and has wide powers. And in spite of wide publicity, the first stage of the operation ran into difficulties. By mid-May, as the final date for applications approached, only 4,000 *had been received*. From then on, the OFT's licensing branch was flooded with a further 16,000. Furthermore, as many as a third of those received were *invalid—forms not filled in* correctly, the wrong fee enclosed and other errors—and had to be sent back to the applicant to be put right. Now the OFT is catching up with the backlog, hoping to get it cleared by November and free the 80 licensing staff for the next rush.

Because of this, the second stage of licensing, covering consumer credit and consumer hire businesses, has been put back with the period for applications, *originally set at August 3 to* January 31, now running from *January 17 to April 30 next* year. This gives three clear months before the appointed date of August 1 next year, when the groups involved will need to have licences or valid applications. And for those covered by these categories it is likely to be particularly important, since the risk that their *loan or hire agreements* will be unenforceable is likely to be almost a bigger threat to them than the possibility that the local trading standards officers *will pick* them up for trading without a licence. The third stage of the licensing process, covering credit brokerage, will follow later.

Licensing, however, is only one of the major developments introduced by the new legislation. The *further stages* are those which will make the biggest direct impact on the consumer borrower himself. *They include* the vital "truth-in-lending" provisions, ensuring that the borrower will know precisely how much a loan is costing him including the *effective true rate of interest* being charged. The regulations under this heading will include rules covering advertisements for credit and the provision of *quotations to potential borrowers*, as well as other items such as the regulations protecting borrowers from extortionate credit terms.

The final main stage will be the important documentation *provisions of the Act, ensuring* that borrowers covered by the legislation are provided with copies of any agreements they enter into. Other important provisions to be implemented include provision for a "cooling-off" period for agreements signed in the borrower's home and rebates for early settlement. Putting the flesh on the bones of the Act, which is to a large extent enabling *legislation*, has, however, presented some *problems*.

The OFT has been engaged in almost continuous debate and discussion with many of the interested parties over the past months, and considerable concern has been expressed by some *of those affected over the de*tailed rules likely to be imple*mented. One of the worries* among banks and finance houses alike is over the volume of documentation likely to be involved. The fear has been widely ex*pressed that the end-result of* the Act may be to provide the customers with a lot of paper that they do not want or need, and to increase considerably the cost to a *bank* of making a loan.

Extensive adaptation will be necessary of forms and documents at present in use; and the banks in particular have suggested *that* the number of bits of paper may be entirely out of proportion in some aspects of their business. The finance houses, in their turn, are concerned that their retail connections, especially the garages, may have problems in coping. The consequence, some lenders suggest, may be that consumer credit will become more expensive generally.

Concession

The banks, it is true, have achieved a concession in one major area, the overdraft. They were, they will admit, a little slow to wake up to the fact that they would be directly affected by the legislation which makes *no exclusion for banks as a* particular type of lender. But they became very conscious that the flexibility and convenience of the overdraft system would be seriously threatened if subjected to the full rigour of the Act's *provisions*. It has, however, been made clear that the authorities recognise the case for a degree of exemption for overdrafts where their *informality and flexibility* are essential.

The finance houses have been less worried about this kind of problem than about the truth-in-lending provisions. There is no objection to the idea in principle of publishing true rates of interest, calculated in *annual terms to reflect the* whole cost of a consumer loan transaction. But this is difficult to put into effect. Formulae are available for converting flat rates into true rates, but it would be asking rather much to *put the burden of making the* calculation—and getting it right —*on the garage owner*. What is more, the problem becomes far more complex when loan arrangements involve anything other than a straightforward equal payment agreement.

The finance houses feel that *quite a lot of agreements* are likely to involve, for example, ancillary charges (sometimes of amounts which remain uncertain until after the loan agreement has already started) or irregular payments (a type of loan which *suits some* customers who have, for example, a seasonal business). The OFT has agreed to produce lists of tables which will have statutory authority behind them. *This exercise in* itself is expected to result in the publication of about 900 pages of tables, which are to be split up into around 15 volumes in order to *enable individual organisations* to keep their costs to a minimum by buying only the relevant part. The problem of those types of loan agreement which do not fit into the pattern of these tables, however, con*tinues to exercise* the finance houses.

There may be something of a hiatus in the apparent development of the Consumer Credit Act. *But it is expected that* sometime soon the first major group of regulations will be promulgated: *these* are likely to cover the rate of total charges and the important exemptions from the provisions of the legis*lation. The exemptions — for* example, of trade credit and of non-commercial loans (particularly those made by employers to employees)—are central to the second stage of the licensing provisions affecting the grantors *of credit. Towards the end of* the year, it hoped that regulations covering in more detail the activities of credit reference agencies and the provisions for preventing extortionate credit bargains will be made public.

But it is clearly going to be some time before the consumer gets the full benefit of the new rules. And the authorities still have the task of trying to ensure that the consumer takes advantage of his new opportuni*ties: ensuring a fair deal for the* borrower is as much a matter of education *as* of laying down rules.

M.B.

The bank card and others

NO ONE is going to be more pleased by an international revival in consumer spending than the credit card companies. *Credit cards, which blossomed* in the "never-had-it-so-good sixties, have had a tough time adapting to life under a different set of economic rules, but now most of them seem to see a little light at the end of the tunnel. If American Express' first quarter results are any indication life is getting much easier.

American Express is, of course, a *travel and entertain*ment card (TE) which is rather different from the bank-backed cards which have proliferated in recent years. Amex and Diners are the *dominant international* forces in these TE cards, which require prompt payment of monthly accounts, while the BankAmericacard gold blue and *white logo* (Barclaycard *in* the U.K.), and the "I" symbol of Interbank (Access in Britain) dominate the banking card scene.

The growth of these bank cards has been remarkable. Just how many credit cards are on issue at the moment is difficult to establish, but the BankAmericard system now has 43m. card-holders worldwide, the *latest recruit being the French* Carte Bleue organisation.

These bank-owned cards are basically ways of lending money and the past four years *have seen stormy waters for* anyone in that business. Consumers have cut back on their spending, been eager to keep their borrowing down to a minimum, and have sometimes run into financial difficulties *giving the banks problems of* bad debts. In Britain both major banking credit card systems hoped to be in substantial profit long before now.

Much of the difficulty has been caused by the fact that an increasing number of card-holders have become rather more responsible in their handling of money than the banks really want them to be. *Having learned to play the* bank card game they have been paying off the outstanding debt in full each month. Do this and you succeed in getting perhaps a month's interest-free credit, and pay with one cheque *rather than several, thus saving* bank charges. This practice has helped to force the banks *to increase interest rates and* even consider introducing a *membership charge, which is a* practice so far confined to the TE card groups.

The TE cards have had a much happier time recently. *Confined to a different social* level, usually the high spending businessman, and being careful in their credit checking, Diners and Amex have run into a little *trouble with normally credit*worthy customers who have suddenly run into difficulties, but have not had to worry about keeping up the high debt level that the bank cards need.

Diner's Club turnover in Britain, where National Westminster Bank has a 49 per cent. stake, rose by more than 20 per cent. last year, less perhaps than the rate of inflation but still fairly respectable by 1975 standards. Profits were down from £596,270 pre-tax, to £404,599, but at least there were profits.

Coincidentally with the economic doldrums which have affected much of the Western world, the credit card companies have had to deal with growing competition for their services. This is particularly the case *with retailing. In the U.S. re*tailers were quick to catch on to the fact that if they were a large group the costs of running their own credit system were lower *than paying credit card commis*sion and perhaps waiting for payment. The same formula may not apply to smaller operations, but the big chains thought it came out in their favour.

Outside the U.S. the retail *groups seemed neither willing* nor able to go into this side of the business with very much enthusiasm. Although in-house credit systems have been *around for years, few of them* are pushed with very much aggression. The signs are that this is now changing completely —at least in the U.K. From being rather shy about pushing their own house cards the lead*ing retailing chains are mount*ing major recruitment drives. Debenhams, for example, is putting a lot of muscle into convincing customers that they would be well off with one of a selection of in-house cards *rather than using their normal* credit card.

Retailers are enthusiastic about in-house card systems not only because they reckon it *saves them money, but also be*cause it encourages customer loyalty.

Competition like that, and the pressure it brings on the card companies to keep down their commission rates to the stores, means that they are less able to play around with interest rates or introduce or increase membership fees in the ways they might wish. As Diners' Club *said* after its last annual report, subscriptions might be increased but "this will be largely offset by constant competitive pressure on discounts charged to member establishments and by further cost increases."

Rival forms of credit and money mobility hit at the heart *of the credit card business*, which is to make the card indispensable to the holder: but these rivals have a very long way to go before they make *any real impression. Possession* of any or all of the Big Four cards is still the best guarantee of being able to move around to-day's credit-conscious world.

The card companies have kept ahead in this particular game by a constant scramble for international coverage and a wide spread of outlets in any *particular country*. When a card company signs up a new country, or a new major hotel chain, it makes a considerable fuss about it. As Amex will doubtless point out with some delight, your Debenhams or *Sears charge card is not going* to be very much use to you in Eastern Europe.

The real key to credit card success, however, is not the *defeat of rivals*, but a revival in the world economy. The TE cards rely on people travelling and entertaining, business areas which have suffered badly in recent years. The bank cards look for their business to con*sumers* who are prepared to spend to-day and repay tomorrow. To do this they need a measure of confidence in the future of their jobs and in*comes. Once governments* can give their voters this confidence the credit card spree will be in full swing once more.

Arthur Sandles

iscount houses

CONTINUED FROM PREVIOUS PAGE

had been looking rather for several weeks.

was expected partly for ry reasons and also there has been a trend higher interest rates in European centres. The at *it has happened now* bring forward the time iscount houses return to profits: it also removes a source of uncertainty in rket.

will depend on the suc- the authorities' monetary and the Government's ic strategy. Great sis has been placed on the Government-TUC wage restraint agreement, but recent events have produced a few cracks in the walls, even if the house is still standing.

A *general reluctance to hold* long-term securities has not been a problem for the houses because of the more than ample supply of short-term investments *available*, by way of large issues of Treasury bills each week. The houses' enthusiasm for this type of investment has come at a time when the authorities are only too happy to supply record numbers of Treasury bills to help finance Government spending.

Discount houses have a responsibility to take up the Treasury bill tender each week, which recently has often involved bidding for around £600m. of bills. Clearing banks only bid for bills on behalf of customers, buying for their own requirements from the discount market. There may have been *some fall-off in interest for bills* recently, however, and bids for Treasury bills at the weekly tender have been noticeably fewer than earlier this year. Bids totalled under £850m. for £800m. on September 10, whereas well over £1bn. was frequently bid for fewer bills in previous months.

This tends to pose the question of how much interest there is *in Treasury bills outside the* discount house sector. The recent improvement on the rate of return on bills should make them *more* attractive to other investors in future months.

At one point at the end of *June the interest rate then rul*ing on Treasury bills was proving none too attractive to the discount houses. Day-to-day credit was in short supply and houses were being forced to pay more for money than they wished. The *following* week looked like being even worse, and in a move to improve their situation bids at the weekly bill tender were pitched at a *level that would have increased* MLR.

This was at a time when the authorities had no wish to see such a rise and they decided upon a course of action that had not been used since MLR replaced Bank Rate on October, 1972.

Only £450m. bills were allotted instead of the proposed £600m. and this kept the average rate of discount just below the level at which an interest rate rise would have been triggered. In a further move to help the houses out of their *short-term difficulties* very large official loans were made available for the following week at a rate below MLR.

The success of the operation in some ways illustrates the advantages of the position of the discount houses within the present banking system. If the houses did not exist then presumably a large part of their work would be taken over by the clearing banks. The authorities have at present very close links with a relatively small but *expert group, who obviously* gain unique advantages from the system but in return are open to strong influence to go along with official policy. This works *to the advantage of all con*cerned, but it may be that the interests of a much larger organisation, with more diversified spheres of operation, could on occasions, however rare, be at some variance with the authorities.

Labour Party National Executive plans to nationalise the major banks—if it ever became Government policy—might put a completely different perspective on the houses' position in the *banking system. It would* be rather ironic if after surviving the problems of recent years, the houses future should turn on less than a handful of votes in the House of Commons. This may not be a serious problem at present but the moves into new fields of operation by many houses could serve them well in such an event.

Colin Millham

Scots wary but secure

SCOTTISH BANKERS are tempering their optimism about the future with a fair amount of caution—caution based not on any doubts about their own abilities or the resources of their institutions, but about the way the economy is going. Despite the fall in the rate of inflation, the U.K. economy still gives cause for concern and recent Government and academic surveys indicate that the economy of Scotland is still behind that of England in its climb out of recession.

Investment in new plant and restocking is taking place, but not at a fast enough rate to give much confidence about the growth in domestic lending. The recent CBI survey of investment intentions in Scotland showed that in fact the initial pace of the recovery in the first quarter of this year had not been maintained and the rise in interest rates following the jump in the level of the Minimum Lending Rate to 13 per cent. is likely to further dampen the willingness of northern businessmen to embark too soon on expansion.

Export

The falling pound has given some encouragement to export industries and some prominent Scottish firms have already been able to announce large export orders. But this has been countered by the very slow growth in the domestic market, particularly for capital goods, where Scottish manufacture is heavily represented, and by the slowing down of the pace of North Sea Oil development in the face of rapidly escalating costs.

If the picture is this black, why then is there any cause for optimism at all?

First, there is a feeling that the bad times of 1974-5, when the collapse of secondary banks brought down the morale of the whole banking community, are now at last receding. After spending the last year assessing the damage, not least in terms of contributions to the Bank of England "lifeboat," bankers can now look ahead.

The three Scottish clearing banks—the Royal Bank of Scotland, the Bank of Scotland and the Clydesdale — start the recovery from a slightly firmer base than their English counterparts. Mainly because of their relatively small involvement in the property market, they have had fewer bad debts to write off. There may still be bankruptcies to come among bank customers, but there is hope that they will be less frequent than at the start of the recession.

The Scottish banks' proportionately greater reliance on small individual depositors, rather than on corporate deposits, has also paid dividends. Despite the grim economic news of the past year, retail deposits have continued to increase steadily, outstripping the small increase in lending. This widening of the margin between lending and liabilities has enabled the Scottish banks to reduce some of their costs by trimming the amount of money raised at high interest on the interbank market.

Secondly, although sterling lending is increasing only modestly, the Scottish banks are now profiting from their involvement in foreign currencies, a field they entered late, but which now is the fastest growing element in both deposits and lending. Over the past year foreign currency deposits for the three Scottish clearing banks have risen by 57 per cent., from £344m. in August 1975, to £540m. in August this year. As a share of liability, foreign currencies have risen from 9 per cent. in August 1975, to 13 per cent. this year.

This involvement partly stems from the interest Scottish banks have taken in the financing of North Sea oil and gas exploration and production, but it also reflects a desire to be more outgoing and shake off what has previously been a rather parochial image.

It also partly represents a desire to balance the labour-intensive side of the clearing banks' work, which has been particularly vulnerable to the high rate of inflation, with an increasing involvement in other fields such as merchant banking and corporate finance, international finance and credit.

Both the Bank of Scotland and the Royal Bank have opened offices in the U.S. and all three banks and many of the Scottish merchant banks have taken part in internationally led consortia to finance both the massive North Sea developments and overseas projects. To try to further this aspect of its activities, the Bank of Scotland is also a member of the International Energy Bank, with a 15 per cent. stake.

Another fairly recent departure has been leasing, which has been given a fillip by the oil industry. The Bank of Scotland has profited strongly from the good returns of its wholly owned subsidiary, North West Securities, which undertakes leasing and hire purchase, and the Royal Bank has expanded its involvement in this field over the past four years with the leasing of equipment for the oil industry, from tugs and helicopters to office equipment.

The system has the advantage of allowing the banks to claim allowances for capital equipment against their large taxable profits and to pass some of the benefit to the customers, who in many cases are new firms which do not have the profits to be able to claim directly themselves. Given all these factors, the half-year figures for the Bank of Scotland, out this week, and the full year figures for the Royal Bank, due out in November, are expected to be encouraging.

Merchant

Apart from the clearing banks, Scotland, and particularly Edinburgh, is becoming much more associated with merchant banking and finance than it was in the past. As part of its movement into new areas, the Bank of Scotland is strengthening its finance company to emphasise its merchant and corporate finance capabilities and its autonomy from the parent bank. Nobel Grossart and James Finlay, based in Edinburgh and Glasgow, respectively, and best-known of the younger Scottish merchant banks, have been joined by new operations, such as McNeill Pearson.

A number of London-based banks have also opened offices north of the Border over the past five years, including Barclays and National Westminster, the County Bank, Hill Samuel, Singer and Friedlander and the Charterhouse Group. They have been joined by many foreign firms. Bank of Nova Scotia, the first to establish itself in Scotland in 1963, has now been joined by Bank of America, First National of Chicago, Continental Illinois and most recently, Manufacturers Hanover Trust. European interest is represented by Credit Lyonnais.

So far there is a strong feeling among the indigenous bankers that the newcomers, or at least those from outside the U.K., are not doing very much business. Many have followed their long-standing customers into the oil industry and have come to Scotland to preserve their interests. Others are biding their time and waiting for the economy to pick up.

Their reception has mostly been friendly. They will increase competition, but there is also the hope that they will bring some business to Scotland by leading consortia which the Scottish banks and institutions can join. Their arrival also marks the growing importance of Edinburgh as a banking and financial centre.

Although its reputation in this field does not yet approach its name as a leading base for insurance and fund management, the increasing sophistication of the Edinburgh money market has been recognised. During the last year Union Discount became the first discount house to establish an office outside London when it opened an office in Edinburgh offering short-term employment for funds which would otherwise have gone to London—or remained idle.

Ray Perman
Scottish Correspondent

Small banks make steady profits

THE SMALLER banks continue to thrive: their profits performance in 1975 compared favourably with that of the major clearing banks, and the chances are that 1976 will prove no less satisfactory. The Co-operative Bank is going through a period of fairly rapid physical expansion, the Scottish banks in general report relatively buoyant trading and the Yorkshire Bank pointed recently to an increase of nearly a fifth in lending over the 12 months to June last.

The major difference between the big clearing banks and the smaller banks is the latter's greater concentration on the personal sector. This trend is probably most marked at the Yorkshire Bank which has its grass roots in a North Country savings heritage that goes back to the middle of the last century. By and large not much more than an eighth of the business of the big banks lies with the individual, whereas at the Yorkshire the ratio is around half.

The Yorkshire began life in 1859 as the Yorkshire Penny Bank—the word Penny was deliberately left out 17 years ago—for the purposes "of encouraging thrift among the people of the West Riding." The bank now controls 184 branches, mostly in the north and north Midlands, though there is one branch in Cheapside in the heart of the City of London. There will be branches opening in Wigan, St. Helens and Northampton next year.

At the end of 1975 the Yorkshire's direct advances totalled £150m. or so, and its operating profits for the year were £10.3m. So the bank is a relative minnow but it is highly profitable. The Yorkshire has always had a hard-headed outlook on life: it has stayed outside the clearing bank system—membership of this exclusive club was offered a couple of years ago following the Co-operative Bank's successful application — maintaining that its present cheque clearing system is more than adequate for the needs of customers. This system is operated in conjunction with one of its parent companies, Williams and Glyn's.

Penalties

Had it become a clearing bank the Yorkshire would have faced some fairly stiff cost penalties. It would have had to push through some biggish spending on fixed assets (notably money machines) and would probably have had to open more bank branches in or around London. The bank, together with its owners, a consortium of major banks led by the National Westminster and Barclays, decided against such a move.

All the same the backing of this sort of parentage means that the Yorkshire is not short of the services a national bank can offer. It has its own credit card and there is also the Yorkshire Bank Barclaycard. At the other end of the banking scale the Yorkshire's appeal to its customers is perhaps best reflected in its extended banking hours.

The Yorkshire is open five days a week from 9.30 a.m. to 3.30 p.m., and one day a week it offers a late night service, usually from 5 p.m. to 6.30 p.m. As for its cost competitiveness, bank charges fall somewhere in the middle of the range levied by the major clearers. As usual a certain amount of discretion is employed by the local branch manager, but current accounts kept in credit to the tune of £50 incur no charges. The present "price structure" has remained unchanged since 1974 but the Yorkshire readily admits that some banks still have an edge over it on costs: the Co-operative and Williams and Glyn's are two examples.

For its part the Co-operative Bank not only offers a banking service free of bank charges but also pays some modest interest on monies kept in a current account. The bank also offers extended banking hours, staying open a full six days a week through more than 4,000 Co-operative stores. It is this part of its business that the Co-operative Bank is keen to extend. Over the next year-and-a-half the bank is to establish some 500 "Handybanks" as a means of improving its existing in-store banking operations.

The move represents a clear switch in emphasis towards retail banking.

Over the past five years the Co-operative Bank has nearly doubled its branch numbers to 60 but the move into "Handybanks" is taking the bank deeper into the field of retail services, where it plans to upgrade some 500 of its best-placed store outlets. These will offer cheque cashing and money deposit services which the bank reckons will meet virtually all the normal needs of a typical Co-operative Bank customer. But they will also provide access to the bank's other services. The scheme has started in Birmingham and in parts of Lancashire.

Last October the Co-operative Bank became a member of the London Clearing House since when it has cleared its own cheques—suitably changed in style to celebrate the occasion—and operated on equal terms with the major banks. The other members of the Clearing House are the Big Four plus Williams and Glyn's and Coutts.

One reason why the profits of the smaller banks have been relatively stable in recent years has been the limited exposure to property lending that this end of the banking business enjoys. The Co-operative Bank has not been totally immune to the odd property headache. Last year its pre-tax profit rose sharply to £2.1m., but operating profits were actually lower. The upturn at the pre-tax level is explained by a substantial drop in bad debt provision to £1.4m. nearly half of which stemmed from loans secured on development properties.

Most small banks are either controlled or owned outright by the major clearing banks; the Scottish houses are no exception. The Clydesdale Bank is owned by the Midland while Barclay has a 35 per cent. stake in the Bank of Scotland. The National Commercial Banking Group (of which Lloyds owns 16 per cent.) controls the Royal Bank of Scotland.

Limited

Last year the Scottish clearing banks' property advances totalled something like 4½ per cent. of overall lending, against a figure nearer 7 per cent. for the London clearing banks. And although this involved the Royal Bank of Scotland and the Bank of Scotland in bad debt provisions (of £5m. and £2m. respectively) the exposure of the Scottish houses to property lending is limited. Partly this reflects their regional trading background and partly their lower capital base anyway. But it is equally true that North of the Border banking practices have probably retained more of their traditional conservatism.

Banking conservatism has always been a hallmark of the handful of "family" banks, like Hoare and Coutts. The latter is part of the National Westminster group but its traditions remain very much in evidence. The bank has seven branches, six in London and one in Eton High Street. Another bank in this mould is Child and Co., founded in the 17th century and now part of the National and Commercial Banking group. By contrast C. Hoare is still an independent family bank.

Jeffrey Brown

Factoring grows

THE FACTORING companies owned by the four major clearing banks are starting to fulfil predictions and moving towards domination in the U.K. factoring business. They are certainly among the largest factors—International, in which Lloyds has a majority stake; Credit Factoring, a National Westminster subsidiary; and Griffin, owned by the Midland, all factor well over £100m. worth of turnover for clients a year, with Credit Factoring exceeding £200m.; on a monthly basis, Barclays factoring subsidiary is smaller.

In addition Lloyds, along with Scottish Finance, also now owns Alex Lawrie, another susbtantial operation, but one which differs from the mainstream factors in concentrating on recourse business (that is not offering the credit insurance service). The intention is to operate the two subsidiaries quite independently.

Against this group are the factors owned by other banking and financial interests—H. and H. Factors, mainly controlled by the American Walter Heller Corporation, but with Hambro (Nominees) holding a stake; Bank America-Williams Glyn Factors; Mercantile Credit; and finally Arbuthnot, which looks after many smaller companies, and is owned by Arbuthnot Latham Holdings. In addition there are some regional factors and companies like London Bridge offering a related service.

But the clearing banks subsidiaries are probably the fastest growing, and since in this business a factors organisation becomes more profitable as it gets larger, they are perhaps making the best return on capital. Not that this has been a particularly good period for factors. Their fortunes follow those of the economy and in a recession they have particular problems.

Their clients' turnover may decline (and as they are paid by a percentage on turnover this affects their revenue), and there is a greater risk of bad debts, both from clients and clients' customers. There is obviously an increase in inquiries from companies in trouble who see the factor as their financial salvation, but this is the kind of business that factors have learned by experience to avoid. They are very particular about who they work for these days.

But although factors [illegible] after around £500m. of the t[illegible] over of U.K. companies ther[illegible] still considerable ignora[illegible] about how they operate and [illegible] much they charge. Basic[illegible] most factors offer three servi[illegible] although there is no press[illegible] on clients to take all of th[illegible] The first is a straightforw[illegible] administrative function—[illegible] factor looks after the s[illegible] ledger of a company, becom[illegible] its accounts department [illegible] allowing the client to conc[illegible] trate on the production [illegible] service which is the basis of [illegible] business.

Secondly a factor will adva[illegible] the money tied up in unp[illegible] invoices. As soon as the cli[illegible] sends out an invoice to [illegible] customer it passes a copy on [illegible] the factor who not only coll[illegible] the money owed but [illegible] advances the cash (or rat[illegible] the bulk of it) to the cli[illegible] This means that a company d[illegible] not have to wait and wo[illegible] about getting paid. Finall[illegible] factor offers credit insura[illegible] assuming responsibility for [illegible] bad debts (or at least m[illegible] factors offer this service).

Charges

For the administrative [illegible] credit insurance tasks the fac[illegible] charges the client a fixed [illegible] centage of its turnover—usu[illegible] between 1 and 2 per ce[illegible] depending on the difficulty [illegible] the task. For advancing c[illegible] against invoices there is an ex[illegible] charge, usually between [illegible] per cent. above base rate. Eve[illegible] thing depends upon the nat[illegible] of a client's business, its d[illegible] plication and its risk.

One of the criticisms [illegible] factors is that they will o[illegible] get involved with prosper[illegible] companies dealing with [illegible] limited number of respecta[illegible] clients in industries that th[illegible] already know well. And th[illegible] is an element of truth in th[illegible] especially as in their early ye[illegible] factors took on some poor ri[illegible] and suffered severe bad de[illegible] Nowadays they are very parti[illegible] lar, only opening protection [illegible] approved accounts and leav[illegible] their clients to shoulder [illegible] doubtful accounts.

In the main the compan[illegible] that get accepted by a factor [illegible] growing businesses with tu[illegible] overs approaching the £1[illegible] mark. They often operate [illegible] the textile or engineeri[illegible] industries, although compan[illegible] can specialise in other are[illegible] such as timber or consum[illegible]

CONTINUED ON NEXT PAGE

Automati on on the cards

'T IS the acronym for ectronic Funds Transfer, a ncept and practice which is ovoking heated debate in the S. between those who see the tablishment within it of huge nks of "creditworthiness" in-*rmation as a most perilous* vasion of privacy and those including many bankers and course equipment makers — 10 hail the future cashless ciety as a return to the ilden Age.

Its points of contact with mans are bank terminals and cuments, its nerve centres nk computers and its nerves lephone wires and, eventu-y, satellite links. Arthur D. *ltle, the latter-day U.S. oracle* economic topics predicts at equipment installations *pporting electronic payment* stems will increase to $13bn. 1986, or almost three times much as the $5bn. worth now erating and will include twice *many* computers at $1bn. and or times as many bank rminals at $6bn.

Of great significance in a untry like Britain where 3½m. stomers hold Barclaycards d about 3.4m. hold Access rds together with possibly a rther 1m. holders of divers her cards like American press, Diners, etc. etc, is the DL statement that bankers ll increasingly focus their tention on other forms of pay-ents . . . than preauthorised, direct debit . . . and *incipally* on point-of-sale nsactions. Because of this, nsaction cards would increas-gly replace all other forms of rd in the period 1981-86.

*Such cards would carry a mag-*tic stripe embodying such in-rmation as, one would hope, alterable data on the credit itus of the holder and provide running record of his spend-g from pay-day to pay-day. me U.S. banks are jumping e gun and one—at Wilming-n, Del.—has put in four ter-inals at a local supermarket hich are one step from EFT in at they make semiautomatic bit entries to customer check-g accounts. Any store transac-on up to $200 is immediately identified by customer and account code and data sent directly to the bank computer centre for verification and authorisation.

In Arlington, Va., another bank has set up an "electronic *counter clerk" to handle with-*drawal and deposit operations within a 3,000-resident apartment complex.

All this is prompting a variety of reactions, as previously indicated, the most extreme of which is immediately traceable to the "Big Brother" syndrome since it sees in EFT a weapon of immense power in the hands of a totalitarian state because any transaction by a fugitive would pin-point him in time and space—and universal EFT would make it unavoidable to *carry out such transactions just* to live.

Argument

But there is a more immediate argument to be settled. While the U.S. Federal Reserve Bank apparently wishes to eliminate "float," that is time lag on money moving through the banking system, the thoughts of cusomers of such a system and of the banks themselves are only now being expressed. At the moment, money can be earned on float by both parties and this would disappear through the "instant" transaction potential of EFT.

In the U.S., the corporations *are being accused of dragging* their feet because they selfishly want to keep float and thus deprive the consumer of such immense benefits as 24-hour-a-day banking, reduced costs and so on. Of course, it is the computer and terminal makers who are saying this. Meanwhile they cannot agree among themselves on basic standards which would speed EFT.

In Europe, where 70 per cent. of transactions now running at about 18bn. a year are still based on a paper operation, handling costs are estimated by Frost and Sullivan at $5bn. and the analysts use this high figure and the expectation that it will double by 1985 to base their prediction that between now and then, the European banks will spend $175m. a year on bank terminals and "electronic clerks" to save themselves $500m. a year in transaction handling costs.

Present banking base is put at 40,000 terminals and there are plans for many more installations in France (20,000), Scandinavia and Germany so *that the above figure could* treble in ten years.

But European moves towards far greater automation in banking and day-to-day payments by the individual are unlikely to provide a close parallel with U.S. developments if only because, with the notable exception of Britain, the credit card has not caught on there to any great extent outside capital cities. This will undoubtedly affect concerted European moves towards harmonisation and further slow down what must already be painfully slow negotiations.

For instance, earlier this year a move by CEPT, the European committee of PTT organisations, *suggested that SWIFT — the* much delayed computer-controlled network for bank-to-bank funds transfers—should pay ten times more for its com-*munications* than originally expected and, inter alia, far more than its U.S. and Canadian counterparts.

SWIFT, which at the end of August 1974 signed a £2.6m. turnkey contract with Burroughs for hardware and programs, should go live on October 1 this year. It could be considerably delayed, partly due to programming problems, but also because major potential users in Britain, Lloyds Bank among them, are making particularly stringent demands that SWIFT operations will in no way harm the accuracy and speed of their own computing work.

But there is no question that when SWIFT is up and running it will relieve banks of a great physical burden connected with security, paperwork and document transfer.

In Britain, the Big Four banks are proceeding with commendable caution, albeit some attempts at "leap-frogging," in the installation of automatic cash dispensers, automated terminals offering a variety of services and dispensers situated remotely from bank premises in stores and other centres.

Lloyds Bank, which computerised its bank branch accounting ahead of its rivals, thereby stealing a valuable lead in many aspects of computerisation, appears to have the edge for the moment in cash *dispensers with 591 machines* from IBM operational in 425 branches and sub-branches, and also 23 set up in various stores with 12 more to come and an undisclosed but large number under negotiation.

The bank has experienced 97 per cent. up-time to date and believes that only on-line operating terminals which react directly with the customers' centralised accounts are worth having.

Multi-purpose

National Westminster Bank has just started up its first multi-purpose terminal, a 770 model by National Cash Register Company, able to cope with cash demands up to £100 per day from card holders and also to accept requests for cheque books and statements. During the working day (8 a.m.-6 p.m.) they also will provide account balances. A hundred of these 24-hour terminals have been ordered to go into bank premises over the next two years.

Earlier this year, Barclays ordered the same number of NCR units following extensive trials with six 770s which apart from the functions described above can also accept deposits, give foreign currency exchange rates and make account transfers. Some 40 are installed and working.

Very similar work is in progress at Midland Bank which has had an on-going dispenser development programme with Burroughs for several years.

To the extent that 70 per cent. of operations over bank counters in cities are delivery of banknotes against presentation of a cheque, the logic of installing some form of terminal is obvious. But it is not easy to impose on-line operations on already overburdened central computer installations even *though to succeed in coping* with demands spaced out over the day removes them from the end-day transaction reporting. An important factor so far as out-of-bank dispensers is concerned is the need to put them in a secure area, or to provide full safe-based security such as that embodied in the Chubb dispenser designs.

The next two to three years thus will bring a marked change in service to customers, at least in heavily overloaded branches in large cities. But for what the future holds in store it is perhaps relevant to relate that a few months ago, while U.S. manufacturers of electronic banking equipment were showing off their goods to an American Bankers' Association meeting in Washington, the Federal Reserve Bank of New York suffered a loss of all computer power after a voltage drop resulting from a power cable failure.

Large New York banks have installed expensive uninterruptable power supply units that take over in a flash when an accident like this occurs.

But the lesson is that the more complex the system, the more money must be spent to protect it from day-to-day incidents and if paper eventually disappears from banking routines, the magnetic or microfilm records which *replace it will have to be trebly* safeguarded, and because banking is not a system that can be turned off at will to suit the computer system designers, all *progress has to be made by very* cautious steps.

Thus a common banking communications system, to serve all clients of any bank anywhere in Britain is a nice talking point, but unlikely to be realised for many years.

Ted Schoeters

Leasing has matured

HE LEASING industry has at t arrived at the early stages maturity in the U.K. About ven per cent. of new invest-ent in vehicles, plant and achinery is financed through asing to-day, and members of e Equipment Leasing Associa-n (ELA) feel that as a con-quence the industry is now ing taken seriously by the vernment, and that their rep-sentatives have the ears of e senior civil servants who atter.

In many ways, leasing has litically popular aspects which peal to those who are couraging re-investment in itish industry. Firstly, money vested via leasing can only be ent on new plant and machin-y. It is not money lent, or ven by way of an overdraft, or ed on running expenses, and ither does it represent money *ent on property or services.* Secondly, lease terms are erwhelmingly medium term— e years is the most popular— hich is attractive to the critics the City who feel that not ough is being done to provide medium-term money. True, lessors may fund their purchases with shorter-term funds, but their clients are not constrained by the need to find medium-term loans, or indeed draw on their own capital reserves. Thirdly, lessees are able to calculate with certainty what their outgoings will be over the term of the lease, since leasing rates are frequently fixed, or fixed at least within certain margins of market rate movements. They are, however, variable with tax movements. If industry, and that includes lessors, have any major tax complaint, it is against the peculiarly British method of assessing taxes in arrears.

Depreciation

As for the much-vaunted tax advantages of leasing, where the lessor may pass on part of *his 100 per cent. first year* depreciation to the lessee, lessors have always insisted that they do not want to be known and loved for their tax aspects alone. Leasing is thriving in France, Germany and other countries without tax investment incentives; while tax incentives exist in the U.K., however, lessors will use them. So long as leasing is placed on exactly the same footing as any other industry so far as tax treatment is concerned, lessors will be happy.

The new maturity has evolved from particularly fast growth in leasing demand over the past four to five years, and received a strong boost in 1973-74 with the entry of the last major clearing banks into the field. ELA statistics show that 1975 was a record year. Purchases of assets for leasing totalled £840m., and the value of assets leased by ELA members at the year-end was over £1,400m. at original values. Over 48,000 new leases were written by the members of the ELA over the year. Statistics in fact are hard to come by, and the figures quoted here exclude a number of smaller leasing companies who are not members of the ELA. The ELA accounts for *85 per cent. to 90 per cent. of* U.K. lessors. The Department of Industry's increasing interest in leasing is reflected in a questionnaire currently going the rounds, the answers to which will provide the foundation for a range of statistical data on the leasing industry.

Export leasing has been practised for a number of years, the usual method being for British lessors to make use of their foreign branches, agencies or lease club members outside the U.K. British manufacturers therefore can claim an additional financial sales aid for the export market. A recent innovation has been to set up offshore leasing subsidiaries specifically *to arrange leasing facilities for* British manufacturers selling their equipment abroad.

Cross-border leasing is the subject of a paper to be pre-*sented by a British delegate to* the third annual Leaseurope conference in November—this year to be held in Munich. Leaseurope is the federation of European and Scandinavian leasing associations. The organisation has *inter alia* been concerned with making the voice of leasing heard in Brussels, to ensure that all EEC harmonisation moves, including accounting methods, take leasing practice into consideration.

The Accounting Standards Steering Committee of the Institute of Chartered Accountants has been working on a draft exposure paper on standards of accounting for leasing in the U.K., and this is currently circulating privately. The result of the industry's response will be known publicly when an exposure draft is published early next year.

The parameters of the discussion are common gossip in the industry. In the case of lessees the question revolves around whether leasing commitments should be recorded one way or another in the body of the accounts, or whether a footnote indicating lease payment liabilities would be sufficient. Conversation with a range of lessors indicates that they concede that insufficient information has been shown in many accounts in the past. What they appear to be adamant about is that the assets should not be capitalised in the accounts—after all, the lessees do not own the assets, which are already capitalised in the accounts of the lessors.

In the case of lessors, the arguments broadly revolve around what is known as the "Rule of 78," alias the "Sum of the Digits" methods, versus the Investment Period Method of accounting (IPM). The industry is tending away from the *first method towards the second.* It apportions the profits more meaningfully over the time the lessor has funds invested in the lease.

Confidence

The new maturity has brought a new confidence to lessors, who *now find themselves ranked* naturally with other major sources of industrial finance. The industry's fortunes are directly geared to new investment plans in industry as a whole, and the hope is that the growth of leasing will continue to be marginally faster than other methods of industrial finance.

A far wider range of industrialists are aware of the nature of leasing than was the case five years ago, although lessees are still noticeably coy about declaring their leasing arrangements to the public. This stems from the belief that, since the equipment is not "owned" by the company, it somehow reflects upon acumen. Americans, on the other hand, care very little about whether they are known to own or lease their plant and machinery.

Having arrived at a position of relative strength, the leasing industry's efforts are being directed towards putting their services into perspective. Leasing, it is stressed, is one of a range of financing methods open to companies wishing to balance their financing portfolios. Above all, lessors are not lenders of *last resort, or necessarily the* answer to a tax accountant's dream.

Robert Hawkins

Factoring

CONTINUED FROM PREVIOUS PAGE

ods. At a certain point many ients reckon that they can and on their own feet and set their own accounts depart-ent. They dispense with a ctor's help, except perhaps for erseas sales. But there are ctors with clients who have ilt up turnover to more than m. a year and still use a factor the *administrative side. They* nd to dispense with the cash vance which is rather expen-e in calm trading conditions.

In the current economic *imate it is not surprising that* e factors guarantee against d debts has become particu-rly attractive to clients. In a ne of business expansion it is *e financial facility which is* ten the decisive reason why ctors pick up a new client.

The slow expansion of factor-g in the U.K. is surprising, pecially now that the clearing nks are so involved. As riffin Factors points out "if e got just one client from a nth of our 2,600 branches a ar we would be *doing* tremely well." Most of the od new introductions do come om the banks, or from recom-endation by existing clients, ut many bank managers are ow to publicise factoring to eir corporate customers.

Factoring seems certain to ex-and steadily but without the sudden take-off which was long predicted. A certain stability has settled on the industry after the spate of mergers which followed the three-day week and the 1974 crisis. Presumably the major banks could rapidly push up turnover if they publicised their factoring service among their bank managers, but they *are probably aware that too fast* growth brings problems. Also factoring is still a minor part of the big bank's interests.

The one area where British companies could profitably take a factor's facilities more seriously is in the field of exporting. Many companies are scared of selling abroad because of the financial complications. The main factors have extensive overseas contacts and offer to assume all the problems of exporting, making it as simple and as straightforward for their clients as selling within the U.K.

The charge may be marginally higher, but then so are the profits from exports. The advantages in export factoring are apparent to many substantial companies who are quite prepared to let some of their multi-million subsidiaries employ a factor to take all the financial worry out of overseas sales.

Antony Thorncroft

Gratifying year for merchant banks

THE PAST year has been a period of gratifying recovery for the merchant banks. Their U.K. banking operations have generally settled down after the traumas of 1974 and 1975 and for some groups banking margins are now beginning to recover quite sharply. At the same time the banks' service content has (until recent months) had a much improved stock market boosting both fund management and corporate finance activity. The banks face a number of special problems overseas, but even in international financing some of the more adaptable of the City's merchant venturers are now finding the going a little less tough.

Not that the financial upheavals of a couple of years ago have been entirely forgotten. The aftermath of the recent property failures still lingers on while the sad story of imprudent financial management in certain merchant banking fields continues to unfold — earlier this month the auditors' report on the collapse of Slater Walker Securities finally had its wraps removed. There are still some doubts about the extent of all those tanker loans, but by and large most banks have settled down once again to a comfortable living, falling back on the traditional specialised strengths.

The number of London — as opposed to foreign, mostly American — merchant banks runs well into double figures. Those with public shareholders range from such giants as Hambros, Hill Samuel and Kleinwort Benson down to relative minnows like Rea Bros., Brown Shipley and Arbuthnot Latham. The privately owned banks are headed by such august names as Warburgs, Rothschild and Baring Brothers.

Colourful

Life for the merchant banks might be a bit dull after the boom years of the late 1960s and early 1970s, but by and large the sector remains one of the more colourful of the City's institutions. Hill Samuel is probably as typically varied a merchant bank as any: its banking activities range from commercial and investment banking to project finance (the group has recently formed a subsidiary to bring together the arranging of financial, insurance and shipping services for major capital projects overseas). Outside the U.K. the bank has subsidiaries in Australia, South Africa, Germany, Switzerland and the Middle East. It also has representative activities in North America and the Pacific areas.

The bank is made up of three separate holding companies. The above activities are part of Hill Samuel: as its name implies, Hill Samuel Investment Management operates the bank's fund business; and the third company is called Hill Samuel Insurance and Shipping Holdings. The investment management side manages funds for unit trusts, pension funds, insurance companies and private portfolios. These operations also house a property management company that invests in property directly for pension funds and charities by means of two authorised property unit trusts.

But perhaps the most varied arm of Hill Samuel is its third area of operation. This manages a string of insurance broking and employee benefit companies both at home and overseas; it contains a life assurance company as well as a range of ship-broking services providing dry-cargo and tanker charters, oil bunkering provisions and representations for liners and other vessels at ports around the world. Finally this division operates a computer service which is based in Croydon and uses an IBM system of 370/145 and 370/158 computers.

Kleinwort Benson's profits actually rose during 1975 but for most merchant banks this remained a year of declining earnings power — banking deposits at Hambros, Hill Samuel and Keyser Ullman all dipped sharply. But that situation is now changing fairly rapidly. In 1975-76, Hill Samuel's profit recovered from £5.2m. to £7.5m. with investment profits turning round out of the red, investment management profits moving up from little more than break even to profits over £0.5m. and the overseas banking operations—notably in Australia and South Africa — having a very good year. Insurance broking again did well.

Hill Samuel has problems in its insurance and shipping operations, but the group's main problem for the future—and this is a headache nagging away at the whole of the merchant bank field—lies with the balance sheet requirements of the banking business. High U.K. inflation rates and the weakness of sterling (the pound has dropped some 15 per cent. against the dollar this year alone) have eroded the bargaining muscle that the banking arms of the merchant banks need if they are to survive—especially now that competition in international business is coming increasingly from the major German and Swiss commercial banks.

The Bank of England applies a basic guideline of 10 per cent. as the ratio of free assets to deposits and liabilities on acceptances for the merchant banks. Given the high rate of inflation in this country this is an extremely demanding ratio and one that requires plenty retained profits from the bar if they are to maintain a r capital base. With the profits the typical merchant only j beginning to move back growth the sector has be forced to pass up some banki business over the past.

Support

Against this background ma banks have been seeking s port outside their usual spher of existence. An early exam was the merger (in 1973) tween the international comm dity trading company Lewis a Peat and merchant bank Gu ness Mahon. More recently number of banks have soug the injection of new capi more simply. The Hong Ko and Shangai Banking Corpo tion has taken a 40 per ce stake in Anthony Gibbs, t German banks have betwe them 25 per cent. of Leopo Joseph (these interests we taken up in 1974) and last ye the Prudential Insurance Co pany of America took a 9½ p cent. holding in Hambros Bar International trader Lissau Group has put something li £4m. into Fraser Ansbacher, a Edward Bates has the backi of Arab interests.

But for all this image building the stock market stat of the merchant banks h stayed stubbornly low. The m chant banks sector of the Actuaries indices has fallen ov a third this year against a c cline by the market (the A Share index) of around a fif And whereas the stock mark as a whole is just 40 per ce or so below its all-time peaks 1972 the reversal in mercha banking fortunes since that da has been such that the mercha bank index is closer to fo fifths below its 1972 high.

Jeffrey Brow

Trustee Savings Bank

THE TRUSTEE Savings Bank will officially come of age as the third force in the banking world on November 22 next. On that date all the legislation that will release the TSB from outside detailed control by the Treasury will come into effect, and it will then take its first timid steps into the field of lending direct to customers. In the past, it has only lent money as agents for finance companies.

The full transition period for the TSB is expected to take up to ten years, though considerable changes have already taken place within the movement. The number of regional TSBs, in line with the Government's conditions for bestowing the new banking status on the TSB, has been cut from 72 to 18. Surprisingly—considering all the past regional jealousies—the reduction has taken place with remarkable smoothness.

Acceptance, too, of a Central Board for the TSB has been readily forthcoming. There have been a number of teething problems, though these have been resolved. The main argument for a central body is that this gives a better marketing impact.

In the past, while quite often the same material was used, advertisements appeared in the local Press for the various regions. Now the marketing effort is co-ordinated from the centre.

The move into lending is probably the most major step, and considerable changes in thinking at branch level have had to be made. Managers and staff have evidently been sent on innumerable training courses to prepare them for lending money which, for the time being at any rate, will be confined to the TSB's 11m. account customers. There is to be no commercial lending at present.

It is expected that, after November, other forms of lending—for example, bridging finance—will be introduced. It is also no secret that Barclaycard and Access have been knocking on the TSB door to try to forge some sort of link, and a decision is apparently not too far away.

The TSB is clearly feeling confident, because later this month (September 27 to be exact) it will be launching its new advertising campaign to woo customers. The days of the relatively soft sell—using actor Gordon Jackson, for example, are over. The tone of the new campaign is likely to be far more aggressive. The advertising will not specifically emphasise the personal loans but will instead stress that the TSB now has a full range of services.

The campaign will be aimed at converting existing customers rather than attempting to poach from elsewhere. In approach it will be designed around domestic events: "buying new furniture"; "getting married"; "going on holiday" and so on.

Automated

The TSB will also be test marketing new automated telling systems in the New Year. It will be possible to obtain cash up to £100; to make a deposit; to transfer money from one account to another; to order a statement or cheque book.

However, the TSB does have a number of considerations to think about. First, and most important, there is the question of the nationalisation of the banks, which has recently been raised. The main reason we are told, in very simple terms, is that the banks have in some way failed the private sector by not providing sufficient funds for investment in industry.

For the Trustee Savings Bank this criticism does not apply. First, because the TSB has not so far been allowed to provide lending facilities to anyone, still less the commercial sector. And second, the cash in the TSB mostly goes to fund public sector debt.

Nevertheless, the TSB is keeping its head down on this particular issue. It would be a touch of cruel irony if, just as the TSB is about to break away from the Treasury to take up its approved place in the banking system, it were to be knocked on the head by nationalisation.

There have been some very forceful suggestions from various quarters to the effect that, if the Government wants to create a State bank, it should do so by putting together the National Giro and the National Savings Bank. This was even mentioned in the Labour Executive National Committee Document recently as a viable alternative to out-and-out nationalisation of the clearing banks. It has even been suggested that the TSB be included in the combine. It would, after all, seem to make sense to use what the Government already has under its control rather than to extend public ownership—at least in some people's eyes. But, in any event, the TSB is keeping very quiet at the moment on this issue.

Lucrative

The other consideration is that the TSB, according to its critics, is too concentrated in certain areas. For example, it is very strong in the North East, North West and Scotland. In total, it has some 1,500 branches, but it is relatively poorly represented in the lucrative area of the South East of England. Thus, if the TSB wishes to expand it has a problem. The thought of opening new high street outlets in the deficient areas does not seem to be a practical one.

The clearing banks have something like 12,000 outlets between them, and the trend there is for the number of branches to be reduced rather than expanded. The pure capital cost of adding branches in the South East of England for the TSB would be phenomenal.

However, since the Paymaster General gave the go-ahead for expansion of the Trustee Savings Bank—in line with the recommendations of the Sir Harry Page report on National Savings — there has certainly been no dragging of feet on the side of the TSB. The response has been energetic, but on the question of lending there is unlikely to be a mad rush. However, while caution may be the order of the day, it has been estimated that the lending capability in ten years' time could rise to £500m.

Competition is not going to get any easier, however, and the clearing banks are well aware of the new, emerging forces in banking.

The TSB is well to the fore and National Giro, though smaller, is coming along rapidly, as is the Co-op Bank.

However, of the newcomers, the TSBs undoubtedly have the edge in terms of size, and there is every possibility that they will waste no time in capitalising on that advantage.

Keith Lewis

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Finance houses happier

HE PAST year has seen the :pendent finance houses inning to recover from the :ptional problems brought ut by the sustained high :l of interest rates during 3-74," Mr. Humphrey Oliver, ring chairman of the ance Houses Association IA), told members in his ual statement in April. That / are now emerging from se problems "and well on way to achieving satisfactory :ls of profit" was a sign both the professionalism of the ıstry's managers and of the :ial characteristics of instal-ıt credit, he said.

ut as the FHA—the body resenting all the main nce houses—points out in its ual report, the past year has been an easy one for the ıstry. The effects of the loss :onfidence in many deposit-ng institutions, which were : manifest towards the end 1974, are still not wholly rcome. Although there are some signs of a recovery general economic climate ıs not been propitious" for industry and the volume of alment credit has fallen.

ver the past four years new lit extended by finance ses has been: 1972 £1.22m.; 3 £1.453m.; 1974 £1.087m.; 1975 £1.201m. At the end of March last, total credit outstanding to finance houses amounted to £1.4bn. (£1.3bn. related to FHA members) compared with £1.5bn. in March, 1974 and £1.4bn. in March, 1973.

It is not generally realised, many finance houses believe, that commercial and industrial business now accounts for about 40 per cent. of the business done by large finance houses: of this approximately a quarter might be represented by leasing transactions.

The main bone of contention in the industry remains the Government's restriction to 24 months of the statutory repayment period for credit on cars. Such credit still accounts for some 50 per cent. of all business done by finance houses.

The controls have been in force for three years and during that time the cost of cars has risen dramatically, while salaries, for at least the latter part of the period, have been virtually static. The FHA points out that this means it is becoming increasingly difficult and expensive for the consumer to buy or replace "even the most modest of vehicles, with the consequent pressure for higher wages which a continuation of this predicament will inevitably entail."

The finance houses would like to see the repayment period extended to 36 months. But the authorities, while not wholly out of sympathy with this, believe that restrictions must be maintained until the U.K. motor industry is able to meet the demand which would result from any easing of the present rules. Without this ability the fear is that any easing of terms control would be bound to result in an increase in the already high level of imports.

Problems

The finance houses argue, however, that the main result of the present policy is simply to move more and more traditional finance house business to the clearing banks, where loans and overdrafts can be obtained relatively freely.

The involvement of the big clearing banks in the consumer credit fields continues to worry some finance houses. Giving a personal view in Credit, the FHA's magazine, Mr. David James, chief executive of Rank Credit Facilities, maintained that the clearers should withdraw from the direct operation of their credit card schemes and personal loan activities and use their finance house subsidiaries to take over the marketing and administration of all such facilities. He believed that this would resolve the "contradictions in the present arrangements" in the consumer credit industry.

Mr. James thought that the clearing banks should recognise that they are not, and could not easily become, equipped for the conduct of profitable consumer credit operations. At the same time they should recognise that "the much maligned credit industry, already largely dependent on their goodwill for survival, is itself the very means they need for administering all forms of consumer credit through practised and developed underwriting and collection systems." He said that the office networks of the major finance companies represented a far more effective medium for consumer credit contact and follow-up than that presented by a clearing bank branch.

There are now very few independent finance companies, a fact which reflects the degree of control of the industry now held by the big banks. Among the larger houses, Mercantile Credit is owned by Barclays, Lombard North Central is controlled by National Westminster, Forward Trust is owned by Midland, and Lloyds Bank and the Royal Bank of Scotland own over 40 per cent. each in Lloyds and Scottish Finance.

Only United Dominions Trust remains "independent," though at the last count it was £400m. in debt to the Bank of England lifeboat fund. The other major debtor of the lifeboat is First National Finance Corporation, whose wholly owned subsidiary, First National Securities, is a member of the FHA.

Comparisons

The Consumer Credit Act, which received the Royal Assent in July, 1974, but is not yet fully in force, has been another matter of considerable attention in the industry during the year. The Act requires that all interest rates should be converted to a common base—the effective annual rate of interest. But in order to compare the costs of different credit facilities it has become evident that conversion tables will be necessary, as the finance houses had for some time been saying.

The authorities have now accepted this argument and the Office of Fair Trading is to produce tables converting flat rates to annual percentage rates, tables converting charges per £ lent to annual percentage rates, and tables for use in cases of payment of one sum. It is understood that these tables will be identified in a Statutory Instrument, so that the accuracy of the conversion—if the tables are used correctly—will not be open to challenge.

The first two of these tables will be relevant for use only in what are called "regular" transactions — cases of equal instalments at equal intervals. The definition of a regular transaction has yet to emerge, but in such cases individual conversion calculations will be necessary and the FHA believes that further conversion talks will be required.

Last week the FHA strongly criticised the recently announced proposal by the Lord Chancellor's Department to discontinue, principally on arguments of cost and invasion of privacy, the Register of County Court Judgements. It is the unanimous opinion of the 34 FHA member-companies that the existence of the Register does assist in the reduction of bad debts.

The Association also cites the findings of three official committees — the Payne Committee on the Enforcement of Judgements, the Crowther Committee on Consumer Credit and the Younger Committee on Privacy —none of which, it points out, regarded the existence of the Register as objectionable. The absence of information from the Register, the Association maintains, will force credit granters to make intrusive inquiries into the affairs of anyone, creditworthy or not, who applies for credit and "this can only result in more invasion of privacy, not less." It is also warned that the provision of credit will become slower and more expensive.

The risk of a greater incidence of default among borrowers, imposing bigger burdens on the Courts, will also have the effect of restricting the availability of credit as lenders will have less reliable information on which to base their judgment.

Michael Lafferty

NEW INSTALMENT CREDIT EXTENDED BY FINANCE HOUSES
(£m. seasonally adjusted)

	1976 1st qtr.	1975 4th qtr.	3rd qtr.	2nd qtr.	1st qtr.	1974 1st qtr.	1973 1st qtr.
Private cars—new	66	57	64	61	57	39	93
Private cars—used	94	81	80	87	78	53	104
Commercial vehicles	55	50	48	46	45	38	51
Motor-cycles	11	10	11	10	10	7	8
Caravans	8	7	7	8	8	6	8
Farm equipment and tractors	5	5	5	5	4	3	4
Industrial and building plant and equipment	47	43	42	45	43	37	38
Household goods	14	12	11	13	10	11	20
Other goods	43	38	35	34	31	38	70
Total	343	303	303	309	286	232	396

Source: Department of Industry.

computer terminal in operation at one of National Westminster Bank branches, all of which are on-line to the nearest NatWest computer centre

National Giro advancing

E NATIONAL Giro has got :d to being called a disappointment—and in terms of attraction of new accounts t is probably true. Between rch, 1972, and March, 1975, number of accounts rose m 460,000 to only 493,000, the latest figure for this ır is 517,000. However, there ve been growth areas and this be most readily seen in the ount of business deposits: m 1974 to 1975, the amount ıbled from £1.7bn. to £3.5bn. ter the last recorded twelve nths the amount jumped by further 50 per cent. to 25bn.

This reflects the policy of Mr. fred Singer, the former fince director of the Tesco permarket group who was adhunted for the job back in 73. He took the view early on it he was not going to obtain a eat deal of help from the thorities in terms of capital d he further realised that to mpete effectively with the big nking battalions he would ve to have some profits and ne cash behind him. His licy has been to go for the ge, profitable accounts so that er on he would be able to ase the private depositor. That has been successful can be en in the business deposits entioned, and in the last finanıl year Giro reported an nual pre-tax profit of £846,000 mpared with £64,000 in 1975.

The concept of the Giro system has developed a long way om the outset. It was designed a money transmission system d that has been extremely ective; its proudest boast is at payments paid through the ro transfer system take only e day, while the normal eque through the clearing nk system takes three days. ıwever, it has been found, in actice, that it has not been ssible to generate sufficient come off the money that is tained in the system, which is the original idea. To be ofitable—and the Giro does ve Government profit targets at it has to meet—it had to ve wider banking powers.

It now has the power to compete with the clearers and the ustee Savings Banks, with the ception of one crucial area. It es not have the facility of a posit account to offer the invidual.

Giro regards this as a valuable recruiting area: plenty of the clearers are attracting students, the new generation of bank customers. They can offer a deposit account at the outset, which can later be transformed into a current account as the individual's circumstances and requirements change. Giro is denied that, but hopes at some later stage — perhaps sooner rather than later—that this will become possible. The political hurdle is that Building Societies and the National Savings Bank are not going to like another competitor for deposits.

Apart from just that one area, Giro has all the facilities (or the powers to create such facilities) to become a fully fledged bank. It has cheques and foreign exchange; it can provide Thomas Cook travellers' cheques through the Post Office and, perhaps most significant of all, it can lend money.

Applications

So far, its first experiences in lending have been extremely good. It has made 5,000 loans, amounting to around £2m., and has not had one single bad debt. The loans themselves are not available on the spot and not just to anyone. First, the prospective borrower has to be a customer and, secondly, he must have his salary paid into Giro—even if he takes it out again the next day. Forms are available from branches of the Post Office and the completed applications are sent to Bootle, where they are processed on a "points" system, which so far has not let them down.

Giro is no longer a contentious animal. There was a time, of course, when it was under vigorous attack in the House of Commons. But that phase apparently has passed. But what has burst on to the scene is the spectre of bank nationalisation. What has been suggested — and, for those who care to read it, is favourably mentioned in the Labour Party's document — is that, instead of nationalising the clearing banks, weld the National Savings Bank together with the Giro and thereby form a fully competitive State Bank. This makes a lot of sense since it would put together Giro's current account system with the National Savings' depositors. To many people it would seem that the perfect compromise is there.

The Giro is getting poised to take on the big banks in the near future and feels that with its 22,000 Post Office branches —compared with the clearers' combined total of around 12,000 and the TSB's often highly concentrated 1,500—that it has more than a sporting chance of succeeding.

The opportunity is there, with the clearers now imposing bank charges on current accounts; before, when the banks were making too much money as to be embarrassing and removed charges, it was more difficult for Giro to make its mark. The campaign will be mounted just as the charges begin to bite on the customer.

Hitherto, the cash has not been available to pay for a large publicity campaign, but now it is, thanks to the build-up of the large customers. Apart from the level of business deposits already mentioned, Giro has also become the largest landlord in the country with 27m. payments passing through the system in 1976.

However, it is something of a mystery that Giro does not have a great deal more Government business. Almost all of the £100bn. in Government money transfers is handled by the clearing banks; less than 4 per cent. is put through the Giro system.

Giro has made steady progress in recent years, picking up new pieces of armoury as it has gone along. Giro requires only deposit accounts and, perhaps, a credit card (it already has a bank cheque card) to be fully equipped. And both of those deficiencies will undoubtedly disappear through the persuasive powers of the ambitious Mr. Singer.

Its lending will increase, too. At the moment it maintains a high (30-35 per cent.) liquidity ratio for the simple reason that it could not afford to take a knock. And out of balances of £192m. at March this year, this does not leave a great deal to be lent, relative to the clearers. Giro readily admits that it is not in the big league at the moment, but certainly it would appear to have all the equipment to make a substantial nuisance of itself.

Keith Lewis

Consortia regain poise

THE CONSORTIUM banking community has recovered much of its former poise over the past 18 months. Though the rates of growth have slowed down noticeably most of London's consortium banks have turned in higher profits during their past financial year. One or two have blotted their copy-book by announcing special loan loss provisions. Nevertheless, the uncertainties which affected many of them in the aftermath of the collapse of Bankhaus I D Herstatt in May, 1974 have evaporated.

However, the recovery in the consortium banks' fortunes has been hampered by the long-drawn-out sterling crisis. The pound's precipitous fall over the past year is causing consortium bank managements considerable worry. Since over 80 per cent. of their assets are in foreign currencies but a considerable part of their capital in sterling, these banks are particularly vulnerable to a fall in the sterling exchange rate. This hits them on two counts—first by adversely affecting their capital ratios, and secondly, by forcing their foreign shareholders to make provisions in their balance sheets for losses on their sterling investments.

Of the two, the capital adequacy problem is the more immediate, since it undermines the consortium banks' ability to expand their international lending. Take, for example, a bank with sterling capital of £10m. and total deposits of £200m. of which 70 per cent. (£140m.) is in Eurocurrencies. The bank's capital/deposit ratio is 1:20; a fairly standard level for a consortum bank. A 20 per cent. fall in the sterling/dollar rate will inflate the value of the non-sterling deposits by roughly £30m. and result in a decline in the capital/deposit ratio from 1:20 to 1:23.

The second problem, though less spectacular, is also giving concern to consortium bank shareholders who are faced with the need to make special provisions for exchange losses on their sterling investments if they consolidate them into their balance sheet. David Ashby of Bankers Trust Company estimated in a recent article in *The Banker* that if a non-resident bank had invested $25m. in its U.K. operation in 1970, the investment would have had to earn, and put to reserve, some $7m. just to preserve the original dollar value of the investment.

The adverse impact of the fall in sterling has been lessened by the fact that most consortium banks have substantial amounts of non-sterling capital in the form of dollar denominated subordinated debt. The 10 largest banks, for example, have roughly £140m. of sterling funds and £60m. of subordinated debt. Only three of the top ten banks have no subordinated debt.

LEADING CONSORTIUM BANKS

Bank	Est.	Approximate staff	Assets (£m.)	Sub. debt (£m.)	Profitability* %	Gearing† %	Medium term loans as a % assets	Dividend cover
MAIBL	1964	103	799	10.0	0.296	4.4	n.a.	2.4
Orion	1970	210	717	—	0.502	4.2	64.3	n.a.
Scandinavian	1969	170	487	—	0.477	5.9	25.6	4.1
Int. Comm. Bank	1967	40	423	11.3	0.418	11.7	54.5	10.1
Associated Japanese	1970	30	338	12.3	0.240	6.9	42.4	3.9
London Multinational	1970	80	328	8.1	0.308	4.9	24.4	6.3
JIB	1970	36	297	4.9	0.286	6.3	52.4	2.6
UBAF	1972	75	256	5.8	0.158	4.8	29.2	1.6
Nordic	1971	90	253	7.4	0.276	7.7	31.0	n.a.
EBC	1973	78	227	—	0.440	5.6	31.8	n.a.
UIB	1970	50	181	2.0	0.313	5.2	43.4	2.4
Libra	1972	50	172	—	0.927	5.9	51.6	n.a.

* After tax profits as a percentage of total assets. † Capital as a percentage of total deposits.
Source: Latest published balance-sheets.

Sensible

However, the advantages of this sensible cushion of foreign currency capital have been thrown into question by the Inland Revenue, which has announced its intention of taxing the gains on the value of the foreign currency subordinated loans. The problem is highlighted in the latest accounts of London Multinational Bank. Because of the fall of the pound, the sterling equivalent of its subordinated loan has risen by £1.58m. during its last financial year; and will have risen by even more in the current year.

The U.K. tax authorities are seeking to tax as "conceptual profit" the increase in the value in sterling terms of the foreign currency assets which the subordinated loans have been used to fund without allowing for the increase in value in sterling terms of the subordinated loans themselves. London Multinational is being treated as something of a test case by the Revenue, which is demanding an extra £798,000 in back taxes. If successful this would mean that London Multinational's after-tax profits which rose by 31 per cent. last year would have actually fallen by 35 per cent.

The bank has taken counsel's opinion and is confident that it will not have to pay any tax. It is supported in its stance by the other consortium banks which have likewise refused to make any provision for the extra tax. In fact, Associated Japanese Bank (International) which has the largest amount of subordinated debt outstanding, does not even mention the possibility of extra tax provision in its last accounts.

Lord Cromer, an ex-Governor of the Bank of England, and chairman of London Multinational, commented in his annual report that the "implications of this issue are far-ranging." Other banks are more forthright, viewing the potential tax increase as "daylight robbery." Despite intensive lobbying the Revenue has shown little sign so far that it will gracefully concede defeat. If successful its move would deal a serious blow to London's competitive position from which it might never recover.

Apart from the sterling/taxation issues it is clear that after the heady growth period of the early 1970s, consortium banks are now moving into a more mature phase. During the past five years 14 new consortium banks have opened in London but over the past year only one fresh bank, the Saudi International Bank, has opened its doors. It seems unlikely that any major new consortium venture will be launched in London in the short term, partly for tax reasons and partly because enthusiasm for the consortium approach has lessened. The lessons of Herstatt will not be easily forgotten.

Instead there will probably be further reshuffling of interests and one or two names could disappear. Already Orion Termbank has been merged into Orion Bank, and Rothschild Intercontinental Bank has been taken over by American Express. Hambros and Brown Shipley have both effectively withdrawn from their consortium bank affiliates and their example may be followed by the handful of other U.K. merchant banks which have stakes, such as Charterhouse Japhet, Barings and Keyser Ullman, which might find the future financial responsibilities too onerous.

The remaining consortium banks are all developing special identities. As a group they have often complained that the tag "consortium bank" does not do justice to the wide variety of institutions now in business. In fact, two of the largest consortium banks, Orion Bank and the European Banking Company, have made a point of not joining the Association of Consortium Banks, since they feel they are a somewhat different animal from the others.

A glance at the balance-sheets and profit and loss accounts of the major consortium banks underlines the differences. Looked at in terms of pre-tax returns on capital, at one end of the spectrum banks such as Libra and London Multi-national have rates of return comfortably above those of their shareholders, while others are not so well placed. Comparisons are complicated by the impact of subordinated loan debt which means that the more highly geared banks tend to earn more than the less highly geared.

However, the ratio of after tax profits to total assets is a good yardstick of how well, or badly, banks manage their total asset portfolios and here, too there are some surprising variations. At one extreme is Libra which earned 0.927 per cent on its assets while at the other extreme is UBAF where its performance was hit by special loan loss provisions.

Those banks with higher returns tend to be those benefiting from substantial fee income as managers or co-managers of syndicated loans. Differing staffing levels give other clues to variation in performance. Some banks keep overheads to a minimum and prefer to offer a specialised service only, while others aim to give a full banking service offering ECGD finance and documentary credits as well as trading in Eurobonds though in the short term this might mean lower profitability.

Dependence

Emphasis on medium-term lending also differs widely. Medium-term loans as a percentage of total assets are a good yardstick of a bank's dependence on medium-term lending. At its last balance sheet date, Orion, for example had 64 per cent. of its assets tied up in medium term loans while London multinational had only 24 per cent. The average figure tends to be around 40 per cent.

Another interesting difference between consortium banks is seen in their attitude to dividend payments. Only three of the top ten consortium banks in London do not pay a dividend. For those that did, the dividend cover ranged from 10.1 to 1.6 times. Such variations undoubtedly reflect differing objectives of the various shareholders, but the lack of unanimity is slightly concerning given the infancy of most of the banks and the consequent lack of sizeable reserves to cover possible future losses.

William Hall

London's overseas banks

WITHIN the U.K. banking community there exists a select group which although small in number represents an extremely wide spread of interests worldwide and an enormous wealth built up over the last 100 years or so. The members of this group are the London-based overseas banks which, until just after World War II, carried on practically all of their business overseas, despite their domicile. Over the years their number has diminished sharply, usually as a result of takeovers and mergers. Recently, however, an exception to this pattern took place.

Last month one of their number, the Australia and New Zealand Banking Group, pulled up its stumps and transferred its residence and place of incorporation to Australia. It was a move which followed several years after the transfer of the bank's headquarters and was perhaps something of an inevitability given that around 80 per cent. of the bank's business is conducted in Australia.

Now there remain only four London-based overseas banks of significance — Barclays International, Standard Chartered, Lloyds International, and Grindlays Bank. Another, the Hong Kong and Shanghai Banking Corporation, has strong connections with London and is sometimes lumped together with the other four in the overseas bank category, but its residence is Hong Kong.

Adjust

This small band of banks has seen some of the biggest changes in world banking over the past 10-20 years and has probably had to make greater adjustments to the changing social and political climates in developing countries in particular than most other businesses. Their origins lie in the British Empire when trade followed the flag, with the banks following the trade, to finance it. Some have rather romantic origins. Grindlays, for example, expanded at its outset in India by financing men of the Indian Army and their families.

It is virtually inconceivable that any more of these banks will change their residence. While most have their origins and thus a large part of their business in east of Suez or in Africa—the one exception being Lloyds International which went the other way and is big in Latin America—all have expanded into many other countries. They have all considerably broadened their activities and at the same time each has established a very much stronger position within the U.K.

Grindlays, for example, was founded and originally grew on a simple retail banking operation and in India where it all started there are 55 branches. It also takes in the National Bank of India and over the years forged new business in Bangladesh, Pakistan, Sri Lanka and Eastern Africa. It moved into Europe and bought the Ottoman Bank, with branches in France, Monaco and Switzerland, and the London group business of the Ottoman Bank which extended Grindlays activities in East and central Africa. It also moved, as have the others, into merchant banking, buying Wm. Brandt's. This diversification to produce more U.K. business hit a rocky path, however, when Brandts subsequently suffered heavily in the economic slump, incurring large losses in, for example, the property field.

What it is doing is to increase its corporate rather than retail business. This means aiming at providing financial advice and loan facilities, medium or long term, for the medium size of company. This is particularly so in the Gulf, Far East and Europe. These moves to establish growth more in the corporate finance and investment field stem from changes in the business and political climates of its traditional countries.

It is a pattern common to all the London overseas banks. When trade and the banks followed the flag, sterling was the acceptable currency in all of the countries concerned and all decisions could thus be taken at home in London. Goods would be financed to and from these countries, harvests would be supported financially and when the banks got their returns from such business in one country they could easily shift funds to a new country to repeat the process.

After World War II, however, Britain's colonial structure began to change, as its colonies gained independence. At the same time the sterling area began to narrow, meaning that it became a less easily transferrable currency. Additionally, the newly independent countries wanted a greater slice of their local action and the London overseas banks found themselves having to make available to local interests shares in the banks. Some banks were also nationalised outright.

High taxation rates became a problem and it was this which was a major factor in these banks looking for new pastures to mitigate the effects of the changing post-war business climate. High taxation in India, for example, meant that Grindlays needed to get a reasonable proportion of its earnings in the U.K. if it was to gain any advantage of relief available in the U.K. on tax levied overseas.

One of the biggest London overseas banks is Standard Chartered, which this year won the Queen's Award for Export Achievement. The two major constituent parts—the Standard Bank of British South Africa and the Chartered Bank of India, Australia and China—began business in the traditional areas and to-day it has a very large branch network. It was also one of the earlier venturers of its kind into Germany and the U.S., setting up in Hamburg and New York in 1902 and 1905 respectively.

Acquisitions

Standard, like Barclays and Grindays, has spread itself into the Middle East, buying the Eastern Bank in 1957. It has also continued to grow by acquisition in its traditional areas, buying, for example, the Bank of West Africa in 1965 to give it branches in Gambia, Nigeria and Sierra Leone.

A far cry from the early retail banking activities are the services which have been developed by all the London-based overseas banks. To meet the needs not only of their customers in the developing countries; but also to enable them to compete in the more industrialised areas, they have had to move into all types of corporate lending, tailoring packages to meet individual requirements; advisory services; investment facilities; currency dealing and similar activities.

At the same time, in the developing countries particularly, they have had to carry out a substantial teaching operation as local interests have taken shareholdings and more local nationals have taken over the day-to-day running of the banking operations. Other innovations have been increasing participation in syndicated loans and in the Eurocurrency markets—particularly Barclays and Lloyds—which have been very important in giving them access to fast expanding international wholesale, as against retail, banking operations.

Barclays and Lloyds have similar histories to their expansion overseas—Barclays International was formerly Barclays DCO (standing for Dominion, Colonial and Overseas and itself a combination of the Colonial Bank, Anglo-Egyptian Bank and National Bank of South Africa) while Lloyds International takes in the former Bank of London and South America. But among the more interesting features in their case is the fact that both are now heavily involved in the U.S.—Grindlays also has strong links, but on a different basis since it is through a 49 per cent holding in the bank owned by the First National City Bank of New York.

Across the Atlantic, Barclays has 28 branches in New York following the acquisition of the First Westchester National Bank, and it has a further 41 branches in California as a result of buying the County Bank of Santa Barbara. It is also in Chicago and has a licence to start banking operations in Atlanta, Georgia.

Lloyds, which first went in the opposite direction to the others by moving into South America, is in terms of assets probably the largest foreign bank in California following its purchase two years ago of the First Western Bank and Trust Company, now Lloyds Bank California and with some 100 branches.

Diversity

Sir George Bolton, a former chairman of BOLSA — which went into Lloyds to make up the current international network—was one of the earliest innovators of the Eurocurrency markets and thus provided the bank with one of its major diversification areas out of retail banking. Lloyds International's biggest network of branches is in Argentina, while in the whole of South America the number is around 170. The bank, like its counterparts, sees the immediate future as being concentrated on increasing corporate business, particularly with multi-nationals where its spread of operations worldwide can be put to use.

One of Lloyds most recent new ventures is a representative office in one of the least capitalist of areas—Moscow. It does not, however, have quite the distinction of Standard Chartered, which can boast of being one of only two foreign banks in the People's Republic of China.

Nicholas Leslie

Resident foreign banks

	Sterling deposits (£bn.)	% of total	Foreign currency deposits (£bn.)	% of total
London clearers	23.8	51.3	4.5	4.5
Scottish clearers	2.5	5.4	0.5	0.5
Northern Ireland	0.8	1.7	—	—
Accepting houses	2.5	5.4	3.2	3.1
Other U.K. banks ...	8.9	19.3	10.6	10.4
U.S. banks	4.4	9.5	38.2	37.8
Japanese banks	0.4	0.9	14.7	14.6
Other overseas banks	2.6	5.6	23.4	23.2
Consortium banks ...	0.4	0.9	6.0	5.9
Total	46.4	100.0	101.4	100.0

MARKET SHARE—JULY 1976

Source: Bank of England.

'HE CITY'S foreign banking ommunity often tends to be verlooked. All told about 250 oreign banks from 53 countries luster around the Bank of ngland in the heart of London, anging from the Communist ank of China to the latest ntrant, the Vatican City's anco di Santo Spirito. But the iversity of business they trans- ct together with their widely iffering political and cultural ackgrounds discourages them om clubbing together to etter to advertise their con- ibution to the City's prosperity nd Britain's invisible trade balance. No foreign banker, for example, sits on the powerful committee for invisible exports which argues the City's case around the world.

Yet the lack of obvious publicity does not do justice to the foreign banks' influential role. Their size and contribution is best served by a few statistics. Total assets of foreign and consortium banks in the U.K. in July amounted to £91.6bn.: against a total figure of £159.5bn. Just under two thirds of this is accounted for by foreign currency assets.

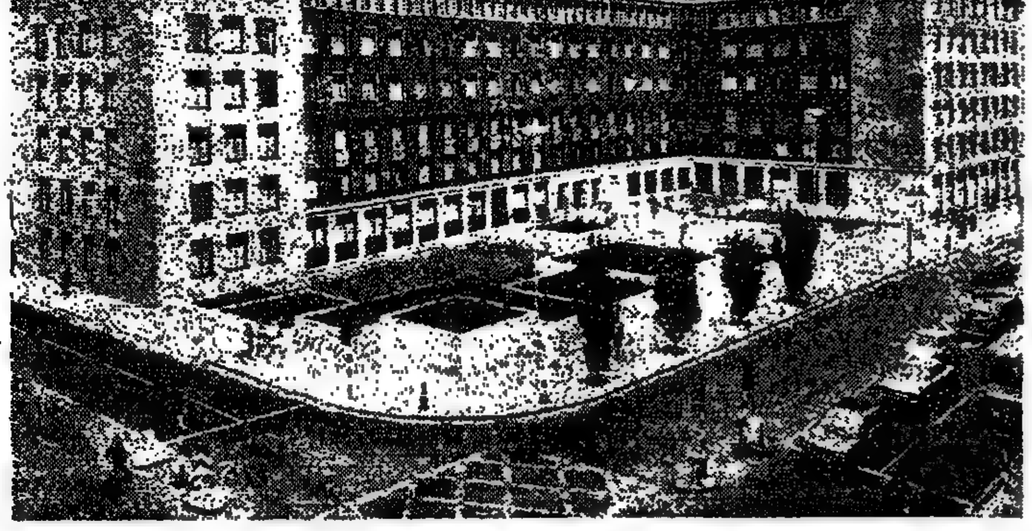
Eurocurrency market business accounts for the bulk of foreign banks' London operations. U.S. banks' London branches control £38.3bn. of foreign currency deposits (38 per cent. of the total). Japanese banks control another £14.7bn. and other foreign and consortium banks control just under £30bn. As a group the foreign bank's foreign currency deposits are 18 times as large as those of the U.K. clearers. Foreign banks make over 60 per cent. of all foreign currency advances to the U.K. public and private sectors.

Their role in the sterling markets, while far less important, is not inconsequential. Foreign banks are not confined to the City: a growing number have opened branches in places such as Manchester, Birmingham and Edinburgh with the aim of building up sterling deposit and lending business.

As a group they already control sterling deposits of £7.8bn., giving them a market share of 17 per cent. Their sterling deposit base is about a third the size of the London clearing banks as a whole and 50 per cent. higher than the combined figure for the Scottish clearing banks and the accepting houses. U.S. banks, for example, had sterling deposits of £4.4bn. in July—almost twice the size of the Scottish clearers.

Altogether a total of 244 foreign banks were located in the City at the last count; another 87 have no direct representation but hold stakes in London consortium banks. So all told 333 foreign banks are in London in one way or another. Of those directly represented, 152 have full branches. 56 are from the U.S. and over a third from Europe. Among the 100 largest banks in the world only 17 are not directly represented in London. However, 12 of these have stakes in consortium banks. All but five of the world's 100 largest banks are represented in London as a result. Although the number of banks is growing rapidly in New York, no other major financial centre is host to as many foreign banks as London.

Such details help explain why the health of the U.K. foreign banking community is so important for the City as a whole. The months after the collapse of Bankhaus I. D. Herstatt were a particularly difficult period, especially for the newcomers which had not been in the City long enough to build up a safe cushion of sterling business to fall back on when the volume of Euromarket business dropped away sharply. The crisis of confidence took its toll as business began to gravitate towards the larger banks, and the smaller banks in London were made painfully aware of the volatile nature of their deposit base on which they had earlier built up so much of their new business.



The new City of London headquarters in Cannon Street of the Bank of America —the world's biggest bank.

Trying

For some, the problems were not only confined to international business; the domestic sterling side had its difficulties as well. For those banks which had become involved in U.K. property lending it was an especially trying time as U.K. property values collapsed and borrowers began to default on interest payments. The collapse of Stern property empire, burnt quite a few foreign bank fingers while the long-draw-out problems of Maritime Fruit Carriers have highlighted the exposure of foreign banks in yet another problem area.

A number of senior bank managements at head offices around the world began to regret the freedom and responsibility which they had delegated to their prestigious London branches during the "go-go" years of the late 1960s and the early 1970s, when keen competition for Eurocurrency business drove margins down to unbelievable levels and the name of the game seemed to be asset growth. As a result head office controls have been tightened considerably on foreign banks London branches over the last 18 months.

Luckily the past 12 months has seen a recovery in their basic business. The shake-out in the property market has just about run its course and there are signs that property values are improving at last, although lending prospects in the U.K. economy as a whole remain depressed. A few foreign banks have had their problems, but on nowhere near the same scale as 18 months ago.

Thames Guaranty, a small fringe bank in which two Portuguese banks had a stake, has been closed, while Arabian investors have been working behind the scenes with the Bank of England to shore up Edward Bates, the troubled authorised merchant bank. Meanwhile, Grindlays Bank, where Citibank has a 49 per cent. stake and has been taking a close interest following its need to make sizeable provisions for Grindlays loan losses last year, now seems well on the road to recovery.

At the same time Eurocurrency lending, the bread and butter business for many foreign banks in London, has picked up both in terms of volume and spreads. Most foreign banks should be earning far better profits this year from their London branches. Eurobond activity has continued buoyant and those banks involved should be showing a healthy increase in fee income. Foreign bankers will also benefit from the recent change in the U.K. export-financing arrangements allowing foreign banks to participate in business which, until now, has been reserved for British banks. Last year U.K. banks' Export Credit Guarantee Department (ECGD) facilities amounted to £864m.

However, the improvement in the business prospects for the foreign banking community has been offset to some extent by the rapid decline in sterling. This has hit hardest at those foreign banks which traditionally operate in Britain via a locally capitalised subsidiary. Banque Nationale de Paris Ltd. is an example of an old-established bank which has suffered, but a number of the recently established merchant banking subsidiaries of U.S. banks have also been affected. Since much of their business is in foreign currencies, the depreciation of their sterling capital base limits their lending potential and puts pressure on their parents to top up their investment which, given the short-term prospects for the pound, some could be loth to do.

Concern

Another problem related to the decline of sterling which is currently causing certain foreign banks some concern is the Inland Revenue's treatment of the exchange gains on foreign currency subordinated loan debt. This matter is covered more fully in the article on consortium banks, but briefly, the U.K. authorities plan to tax the very sizeable gains which have arisen. About three-quarters of the consortium banks and a number of foreign banking subsidiaries, such as Julius Baer International, are affected. They have taken legal advice and are confident they have no tax liability. However, the Inland Revenue shows little sign as yet of changing its mind.

Although only a relatively small number of foreign banks are affected, since most operate via branches, the Revenue's behaviour is being watched closely by the foreign banking community. The relative attractiveness of London vis à vis other international financial centres has already suffered from earlier tax increases and if the current plans to tax gains on subordinate debt are implemented it will deal another serious blow to the City's international competitive position.

Markets can move elsewhere. On a small scale this can be seen in the gold market, the bulk of which moved from London to Zurich in the late 1960s. The market in gold shares has moved from London to New York because of the U.K. authorities' refusal to relax the dollar premium surrender rules. The Bank of England's recent attempts to curb "speculation" in zinc threatens to drive the commodity markets to North America, which is their natural home. The Inland Revenue's attempts to tax Greek shipowners on their world-wide income (since relaxed slightly) is yet another example of isolated instances where the City's international dominance, be it in ship broking, foreign exchange or commodity dealing has been threatened.

Since over 80 per cent. of the City's international banking business is in the hands of foreign banks the Inland Revenue should be careful in attempting to increase its tax bite on this section of the community. It could drive them away over the long term.

W.H.

Offshoots in insurance

'HE PROVISION of financial rvices for clients has always en regarded as the raison être for clearing banks. In e past this was confined, as r as the bank was concerned, ainly to looking after the ent's money and providing me investment advice. But r more was done by the branch anager on a personal basis in ring a much wider service, in- ding insurance advice—life d general—and arranging the rchase of the contract.

But life in general since the ar has become extremely mplex and the insurance dustry has been no exception this change. Keeping abreast the current range of in- rance products from the main dy of insurance companies is w a full-time job. Gone are e days when the only life- m-savings policy was a with- ofits endowment or a whole e non-profit contract could be commended in the knowledge at it would retain its value in al terms.

Giving the best insurance vice can now be a task for e professionals and the banks er the past decade have been oviding this professionalism setting up insurance advisory partments staffed by people ained in the insurance field. e development has been very ch to the fore in the diversi- ation policy of the clearing nks and is now an established rt of the organisation, pro- ling a service not only to lividual but corporate clients well.

The banks regard this develop- nt as a natural sequence in ending their service to ents, but their participation the insurance market has ought some biting criticism m some of the established oking organisations. The argu- nt has been based mainly on combination of insurance th other banking services, but w it appears that banks have en accepted at part of the oking set-up.

Channelling

The banks have used their anch network as the means of ntacting the customer and nnelling the advice and infor- tion. The local manager is l the main contact with nts and the man who in the t case has their confidence. t he is now backed up by a ecialist organisation which meet the client and deal h his problems once brought by the manager.

The organisational set-up ries among the banks. tional Westminster, for ample, has centralised its urance staff in Bristol, ereas the other clearing nks have a more decentralised eration with specialist staff each of the regional centres. But the type of advice given naturally depends on the requirements of the client.

For a straightforward insurance inquiry, such as insuring the house and contents, the branch manager is quite competent to advise, providing he is kept up to date on the latest policies available. The amount of discretion given to managers varies. Barclays has designed its own package insurance contract for general personal insurance covering all aspects in a form which can be sold literally over the counter. At the Midland, managers can deal with the smaller with-profit policies, but not with non-profit risks. Any problem that is beyond the straightforward would mean the branch manager calling in the specialists.

But the insurance broking industry has not stood still over the past decade. Insurance broking as such is being regarded as just one important aspect of financial planning, for instance in providing advice on Capital Transfer Tax planning. The clearing banks are in a position to offer this comprehensive service; indeed Lloyds Bank provides its insurance services within its trust department.

Although the growth in the provision of insurance services has been primarily on the personal side, the banks have not neglected the needs of their corporate clients, especially the small and medium-size business. Here the existing set-up is well able to cope with the more sophisticated insurance needs while dealing with the insurance companies. The latter have been busy recently producing package insurance contracts designed to meet the needs of different types of business, such as shops, offices, garages.

But for the larger corporate client, the ability to place business at Lloyd's as well as the company market is essential. So is the expertise required to put together the insurance requirements of a large factory complex or a commercial vehicle fleet. Above all is the need to understand that most technical of fields, the reinsurance market. Midland Bank, with the acquisition of Montagu Trust, brought the leading Lloyd's broker Bland Payne into its group and is thus able to pass on to this company any clients which need to be handled by a large specialist broker. Barclays has recently launched a new broking service as distinct from the existing one which handles the smaller risk and has achieved Lloyd's broker status. The other clearers have not yet reached this stage. But there can be little doubt that they will move in this direction should the demand require it.

The move into insurance underwriting, however, has been much less marked and confined to the life side only. This is a more sensitive area in the sense of competing with the insurance industry and in providing an unbiased service to clients. It is not inconsistent to run an advisory and an underwriting operation side by side giving the client a 100 per cent. service. But here many feel that banks should be like Caesar's wife and be above suspicion. It would appear that banks are very sensitive to this sort of criticism and have kept this development in a lower key. Certainly, there is no rush by the banks to become complete conglomerates.

Success

The development of life company subsidiaries is probably more the result of a feature of the tax system than anything else. The clearing banks entered the unit trust field as administrative and investment managers just over a decade ago after providing trustee services for the unit trust movement since it started. The growth has been one of the success stories in unit trust development, the only exception being Midland which kept out of the field until it acquired the Drayton stable in the Montagu acquisition.

Here it is best to offer regular savings into unit trusts by means of a linked life policy, because the investor can claim life assurance tax relief on the outlay. At 17½ per cent., this more than offsets the cost of life cover. What could be more natural, then, than to set up a life company to do the underwriting.

Barclays was the first in this field, setting up its own life company and doing its own underwriting. Its contracts are regular savings plans linked to trusts in the Barclay Unicorn Range. National Westminster and Midland have linked up with established life companies, Commercial Union and Prudential respectively, in the formation of life subsidiaries, the bank providing the investment link and the life company doing the underwriting. Lloyds, on the other hand, has set up a life company doing its own underwriting, but the only product so far launched has been linked to an internal managed fund—a mix of equities and fixed interest, with a property element in due course. It has not yet attempted to link with its own unit trusts.

But once established, there is nothing to stop these life subsidiaries offering the whole range of products including the traditional guaranteed contracts. There is little doubt that the banks will move further into the insurance field and occupy an increasingly important part of that industry.

Eric Short

Euromarket remains active

THE EXPECTATION a year ago was that a revival of economic activity in the U.S. would, within the not too distant future, curb new financing activity in the Euromarket. The pressure of increasing demand for funds from U.S. corporate clients on U.S. commercial banks would on the one hand cut back their capacity to lend funds overseas and on the other push up interest rates and thus cut back new issue activity in the Eurobond market.

In fact there has as yet been no sign of any such development and the international banking community is betting that this situation will continue at least until after the U.S. presidential election. U.S. commercial banks have reportedly found that they have not even been able to re-lend domestically to the extent that domestic loans have been repaid; and the result has been if anything an increase in their international lending capacity. Interest rates still show no sign of rising—if anything they are still expected to fall—and the volume of new issue activity in the Eurobond market has gone from strength to strength with pauses only when a particularly large wave of issues has saturated the market.

The high level of liquidity in both the medium- and long-term financing sectors of the Euromarket can be seen from a simple glance at the volumes of new money raised. The total volume of new international bonds issued between January and August this year amounted to \$20.5bn., according to Morgan Guaranty calculations. This figure compares with \$12.6bn. in the same period last year and exceeds the total new issue volume for the whole of last year of \$19.9bn. In the medium-term syndicated lending sector, the first-half total of \$13.5bn. compares with \$12.8bn. in the second half of last year and \$21.0bn. in the whole of last year. July and August between them add a further \$4bn.-worth of new loans, bringing the total so far this year to \$17.4bn.

The high level of liquidity in both sectors of the market has also had significant effects on the terms of new issues and new syndicated loans. In both sectors maturities have been lengthening. In the bond market coupons have been declining and in the syndicated lending sector, competition for lending business has caused the margins which banks charge over inter-bank rates to be cut back in the case of many borrowers.

In the bond sector, the main question in everyone's minds is quite simply how long the boom conditions can last. Currently, the interest rate gap between Eurodollar three-to-six-month interest rates and yields on recently issued bonds is between two and three percentage points which gives quite a big margin for interest rate increases.

A subsidiary and much more delicate question which will affect the sharpness of the fall off in activity when the interest rate level moves up is the extent to which holdings of Eurobonds are being financed with borrowed money. To this no one appears to know the answer—though the fact that a number of institutions had their fingers burned by being caught with bonds they could not sell last time the interest rate cycle moved against them is often quoted as a reason for soft-peddling this factor.

Beyond this, the main concern in the Eurobond market is with structural factors. The current boom period has seen marked changes in the league table of issue managers, in the geographical spread of underwriting groups, in the maturities of issues and in the nature of borrowers.

Middle Eastern investment banks have not emerged as the force in the market which had been expected in the wake of the oil price rises, but there has been an unmistakable diversification out of London and indeed Europe in the international bond market. The main factor here has been the re-emergence of New York as a source of capital for foreign borrowers. Canadian borrowers—who were in any case exempt from the restrictions which prevented most other borrowers tapping this market until early 1974—still dominate the New York market as far as foreign borrowers are concerned. But borrowing by other foreign entities is creeping up surely if slowly.

In general new issue activity in the international bond markets has been much more closely identified with balance of payments factors than before. In previous boom periods companies were heavy borrowers: this time round the only group of private sector companies which have borrowed at all significantly have been the Japanese.

EUROCURRENCY BANK CREDITS
(publicly-announced in period, \$m.)

	1974	1975 2nd half	1975 Year	1976 1st half	1976 July	1976 Aug.§
Industrial countries	20.833	4.324	7,231	5.322	1,737	466
France	3.244	274	719	500	60	—
Greece	419	220	239	—	—	60
Italy	2,322	105	120	320	—	—
Spain	1,151	609	1,147	309	1,224	50
U.K.	5,655	55	160	1,061	2	38
U.S.	2.221	250	764	481	25	—
Other*	5.891	2,811	4,082	2,651	416	318
Developing countries	7,142	6.979	11,164	6.347	1.473	281
Non-Opec countries	6,276	4.991	8,264	4,878	889	281
Brazil	1,672	1,334	2,152	1.061	365	100
Mexico	948	1,490	2.311	722	230	150
Peru	443	134	334	50	15	—
Philippines	844	203	363	862	—	—
South Korea	134	25	347	247	40	—
Other†	2,235	1,805	2,757	1,936	239	31
Opec countries	867	1.988	2.900	1,469	584	—
Algeria	—	400	500	446	35	—
Indonesia	469	602	1,348	230	14	—
Iran	115	260	265	680	520	—
Other	263	726	787	113	15	—
Communist countries	1,238	1.500	2,597	1.789	20	—
Poland	509	125	475	356	20	—
USSR	100	400	650	250	—	—
Other‡	647	975	1,472	1.183	—	—
TOTAL	29.263	12,803	20,992	13.458	3.230	747

* Includes multi-national organisations. † Includes regional development organisations. ‡ Includes COMECON institutions. § Preliminary.
Source: Morgan Guaranty World Financial Markets.

Most of the borrowing has been by international organisations or para-statal bodies from industrialised countries.

One topic which has come to a head particularly in the last two weeks concerns the growing importance of the commercial banks as lead managers for issues. The current boom has seen the first move by the big Swiss banks and by the U.S. commercial banks (barred from underwriting activity at home) into lead management of new issues in the Eurobond market.

The big German banks also appear to have become more aggressive in their attitude towards managing issues. The effect of this development has been an undoubted loss of business for investment banks, whether they be British merchant banks or U.S. investment banks. Some, formerly major managing institutions have faced from the scene almost altogether.

The long term implications of the growth in importance of the big commercial banks—a trend which is also evident in the medium term lending sector of the Euromarket—are still being argued.

In the syndicated lending market one major question is the extent to which maturities will lengthen and margins be cut back if the current high level of bank liquidity continues. The crux of the argument here is the extent to which the cutback in margins to ⅝ per cent. for prime borrowers in 1973-74 and the extension of maturities to fifteen years was a reflection of the novelty of this kind of lending. It is argued that having been through one cycle where available lending capacity plummeted, margins moved to 2 per cent. and maturities to five years, banks will prefer to stay liquid rather than commit themselves to ⅝ per cent. again.

The general contention of those who think that the market has learned a lesson is that the prime margin will not go to below three-quarters of a point and that maturities will not go beyond an outside limit of ten years.

The exact point at which lending banks will decide to call it a day could fall above or below these figures. However there is considerable evidence to support the view that the experience of one cycle in full has had a marked impact on banks' attitudes this time round.

In the first place, banks are showing greater selectivity than before. Some borrowers are even having to increase the margins they will pay (at least in terms of overall yield to the lending banks — fees have assumed much more importance in the overall pricing of loans than previously). Secondly, there is no sign that maturities will lengthen to anything like the 10 to 15 years which was by no means uncommon at the peak of lending activity last time round. Ten years is still rare—and 10 year loans usually include a get out clause for banks. The bulk of loans are still in the five to seven year range.

The other side of the coin can be seen in the scramble to lend to any new name which appears in the market sometimes apparently regardless of intrinsic creditworthiness. The extent of the value of novelty in a market dominated by lending limits set according to the name of the borrower can be seen from the way in which Venezuela has managed to undercut all other borrowers.

Apart from one or two very small transactions, Venezuela is a an entirely new name in the syndicated lending market. Its call for tenders for a loan of no less than \$1bn. brought forth a number of offers from various banking groups. The offer accepted was made by a group of nine banks who were prepared to take the whole amount onto their books are at a margin of 1½ per cent. for seven years.

One need only note that a French para-statal body recently had to agree to pay a margin 1¼ to 1 per cent. for a standby which it may well never draw. But French institutions have borrowed a great deal in the past few years and banks' portfolios are liberally filled with French loans.

Other issues which are expected to occupy a lot of the time of syndicate managers in the coming year mostly arise from the first ever burst of bad loans in this market. Zaire is currently in the process of renegotiating its debt position with the international banking community: it is by no means the only country debtor which the banks are having to help through difficult times, though it has been more prolonged than most.

Of almost more concern to the banks than the bad debts themselves—so far even now loan losses are running significantly lower on international lending than on domestic lending—is what looks like developing into a major legal wrangle over the extent to which lead managing banks can be held responsible for loans which have gone bad. One bank, European American, has already been faced with a number of law suits in connection with some loans it arranged which went bad. Bankers fear that it will not be the last.

Mary Campbell

Deposit-taking institutions

Deposit-taking institutions have come through rough times, with many falling victim to the secondary banks crisis of the years 1973/74. Among those hardest hit were some of the so-called "123" companies which, under statute, are exempt from the Moneylenders Acts.

They include those generally regarded as belonging to the fringe banking sector but also a number which technically fall into the "123" category but would not be regarded as carrying on activities associated with the Secondary Banks.

With the exception of, for example, Building Societies, the Giro and Trustee Savings Banks, all deposit-taking institutions, including the "123" companies, will need either a licence to practise or be recognised as a Bank. Under the terms of the recently-published White Paper, they will have to "comply with certain general conditions laid down in the legislation and with published prudential criteria which will be determined by the Bank of England with the agreement of the Treasury."

We publish below an alphabetical table of British-owned and/or -based "123" companies excluding subsidiaries of authorised Banks, Clearing Banks and those which hold "127" or other recognition. From their latest available Balance Sheet we have extracted pertinent information that the Bank of England will examine when assessing their status-to-be—each company's figures can be viewed only in the context of its particular business activities, which vary from hire purchase to in-house banking.

Most are expected to qualify as licensed deposit-takers, but it is not yet certain how many will reach the standards required for Banking status.

	Balance Sheet Date	Issued Share Capital £000's		Shareholders' Funds £000's (C)	Current and Deposit A/Cs £000's	Other deposit Liabilities £'000	Liquidity Ratio (%) (E)	Earnings per Share % (G)
Anglo-Eastern Bank	30. 6.74	(O)	500	190	944	319	24.31	(109.18)
Bank of Europe	31.12.75	(O)	5,000	5,000	614	15,956	36.11	11.68
Barnett, Christie	30. 6.75	(O)	200	211	293	512	12.67	0.62
Bear Securities	30. 9.75	(O)	904	1,152	68	2,238	0.00	17.39
Beverley Acceptances	30. 9.75	(O)	365	714	221	5,146	0.06	0.00
Bowmaker	31.12.75 (T)	(O)	14,224	21,609	41,570	36,780	3.92	7.52
		(P)	750					
Bremar Holdings	31. 3.76	(O)	1,000	4.019	3,194	11,524	62.82	92.27
Brook Securities and Co.	31. 3.76	(O)	245	(1,006)	285	3,643	5.04	(15.53)
		(P)	165					
Burlington Investments	30. 9.75	(O)	490	881	612	370	9.27	(0.40)
C. E. Coates and Co.	31. 3.76	(O)	1,010	1,169	593	11	146.52	0.27
Cedar Holdings	30. 6.75	(O)	1,407	7,519	4,056	31,874	4.79	(68.66)
		(P)	7,803					
Consolidated Credits and Discounts	31.12.74 (H)	(O)	301	330	2,923	471	14.41	(119.87)(M)
Copleys' Bank	30. 6.76	(O)	1,000	1,074	3,722 (L)	45	73.51	4.34
Corinthian Securities	31.12.75	(O)	1,000	1,074	1,387	959	50.09	(18.76)
Dalsott	31. 3.75	(O)	875	1,033	2,963	—	101.95	(2.67)
Dawnay Day and Co.	30. 6.75	(O)	5,000	5,392	18,220 (L)	1,273	55.10	(11.35)
Duboff Brothers	31.12.74	(O)	1,000	1,340	1,639	4,551	9.47	8.77
Dunbar and Co.	31.12.75	(O)	850	1,005	3,706	1,097	63.98	10.14
Eagil Trust Co.	31.12.75	(O)	2	1,367	455	750	38.92	(3.05)
		(D)	2,100					
E. S. Schwab and Co.	30. 4.76 (H)	(O)	1,000	1,121	695 (L)	—	123.45	5.40
First Fortune	31.12.75	(O)	1	5,316	9,592	13,484	0.72	(19.98)
		(D)	4,358					
G. R. Dawes and Co.	31. 3.76	(O)	2,500	4,204	4,613	796	85.75	6.19
Goode Durrant Trust	31.10.75	(O)	1.000	1,415	727	27,327	34.93	(29.34)
Gresham Trust	31. 3.76	(O)	2,000	6.741	1,868 (L)	2.139	N/A	(N/A)
Hawtin and Partners	31. 1.75	(O)	7,000	686	13,538	4,575	14.48	(65.23)(Q)
Hume Corporation	30. 6.75	(O)	2,700	3.015	8,501 (L)	—	25.82	(33.63)
Knowsley and Co.	30. 9.75	(O)	2,000	2.617	52,005 (L)	—	12.85	6.04 (A)
London and European Trust	31.12.75	(O)	120	1,824	1,900	305	83.49	(32.85)
		(R)	1,080					
London Mercantile Corp.	31.12.75	(O)	1.000	1.196	4.045	—	22.42	11.21 (F)
Medens Trust	30. 6.76	(O)	1,141	2,229	2,119	965	3.89	3.27
National Union Bank	31.12.75	(O)	608	49	1,421	1,003	4.50	(48.12)
N. H. Woolley and Co.	31. 3.75	(O)	1,000	1.993	3,660	1,293	37.29	17.84
Norwich General Trust	31.12.75	(O)	10,389	11,651	16,092	28,533	19.45	10.29
People's Bank	31.12.75	(O)	1,000	1.014	813 (L)	43,643	0.03	4.15
P. S. Refson and Co.	31. 3.76	(O)	100	2,187	7,094	—	30.52	15.61 (J)
		(P)	2,000					
Red Dragon Securities	30. 9.75	(O)	500	882	565	1,906	9.23	15.36
Security Trust Co.	31.12.75	(O)	1,000	2,443	4,031	30	36.84	N/A
Sterling Credit	31. 3.76	(O)	250	589	623	—	26.32	36.05 (K)
Trucanda Trusts	31.12.75	(O)	2,000	4,749	16,422	1.459	75.44	25.33
Twentieth Century Banking Corporation	31.12.75	(O)	5,000	6.000	9,975	36,895	2.28	(102.80)
Vavasseur Trust Co.	30. 6.75	(O)	3,950	(3,130)	1,365	4,369	0.17	(141.26)(B)
Vernons Trust Corporation	31. 7.74	(O)	2,000	2.117	1,327	4,072	3.39	5.30 (S)
Whiteaway, Laidlaw and Co.	31. 3.76	(O)	2,000	9.063	112,621 (L)	—	18.99	75.06
Wintrust Securities								

(A) Period 1.4.74 to 30.9.75
(B) Period 1.1.74 to 30.6.75
(C) Including Unsecured Loan Stock where known held by shareholders.
(D) Deferred shares.
(E) Liquid assets as percentage of current and deposit accounts and other deposit liabilities.
(F) Period 1.7.74 to 31.12.75
(G) Given as percentage to allow for different par values.
(H) Unaudited.
(J) Period 7.3.75 to 31.3.76.
(K) Based on profit before tax due to surrender of tax losses by fellow subsidiaries.
(L) Including other unspecified amounts.
(M) Period 1.4.73 to 31.12.74.
(N/A) Not available.
(O) Ordinary shares.
(P) Preference shares.
(Q) Period 1.12.73 to 31.1.75.
(R) "A" Ordinary non-voting shares.
(S) Period 1.9.73 to 31.7.74.
(T) Unconsolidated.

Samuel Brittan examines a Pacific Coast view of inter-war history in Britain.

British unemployment seen from Seattle

GERMANY'S hyperinflation after World War I, when a suitcase of billion mark notes could not purchase a bag of carrots, has been a favourite subject for historical studies in the past few years, and for obvious reasons. But the period in most urgent need of fresh study is the inter-war slump.

Keynesian policies of stimulating employment by budget deficits and monetary expansion have been discredited by the hard experience of the 1970s, but there is still little confidence in the substitute ideas available. Economists of a monetarist bent argue that there are powerful built-in stabilisers in a market economy, which will automatically return to reasonably high employment after any shock or setback, provided that Governments let it.

The main obstacle to believing in this inbuilt stability has been the pre-war depression, when unemployment was too severe and lasted too long to be explained away as a temporary fluctuation or a short-term reaction to overtight monetary policies. Until we understand the inter-war experience better, there will always be a fear of sliding from a level of unemployment which produces token protestations, to the levels associated with the rise of Hitler and the Jarrow Marches of the 1930s.

It was always likely that fresh light would be shed on this problem from a centre as far away and as emotionally *uninvolved as possible*, and a fascinating paper on the subject of British inter-war unemployment has now been prepared by two young economists, Professors Daniel Benjamin and Levis Kochin, of the University of Washington, Seattle.*

The Seattle article, links inter-war unemployment rates with a rise which took place in *benefit levels. There is a great* danger of a characteristically British polarised reaction when this paper (and other Pacific Coast researches such as one demonstrating a link between the varying generosity of the 19th Century English Poor Law and the numbers on relief) reach these shores. One side will believe that inter-war unemployment has been explained away and another will regard the whole effort as a disguised and sinister plea to starve the unemployed back to work. It is therefore *rather important* to examine the work with a sense of perspective.

Crisis levels

The rise in unemployment benefit certainly does not explain the slump of the early 1930s (as the Benjamin-Kochin paper admits, but does not make sufficiently clear to the unsympathetic reader). What it may help to explain is why unemployment remained so high during the boom periods of the late 1920s and late 1930s.

The basic Seattle contention is shown in the chart. If the ratio of benefit to wages had stayed at the 1920 level, there would still have been crisis levels of unemployment both in the short post World War I *slump and in the first half of the* 1930s. But in the recovery of both the late 1920s and the 1930s, unemployment would *have fallen to just over 5 per* cent. (that is to-day's levels) and in 1937 dropped even lower.

In the inter-war period, two coherent explanations were offered of high unemployment, apart from the view that it was all due to the contradictions of capitalism. The classical view was that unions were pricing people out of jobs by maintaining excessive wages: while the rising Keynesian school believed the problem was one of lack of effective demand.

But certain facts are difficult to reconcile with either view. The last effective deflation, properly named, took place in Britain in 1920-22, when prices fell 27 per cent. and wages 23 per cent. in response to monetary contraction. Real output after falling in 1921 had already begun to recover in 1922 and continued to rise for most of the 1920s. But from 1929 to 1931 prices fell only 10 per cent. and wages 2 per cent. in response to a sharper decline in the money supply than in the early 1920s. Retail prices fell a little further in 1932 and 1933, but then started to rise at an accelerating pace, reaching 5 per cent. in 1937 when registered unemployment was still over 10 per cent.

The much greater resistance of wage levels to deflationary pressures in the early 1930s than in the early 1920s and the much higher unemployment levels can hardly be attributed to unions alone, as the unionised share of the labour force had fallen by nearly half between *the two periods.*

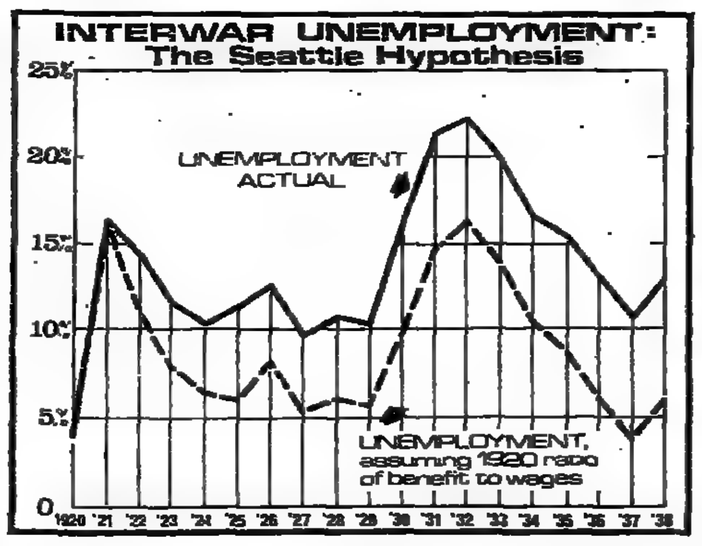
The behaviour of benefits does give at least a clue to what may have happened. The major increase in the size and coverage of benefits took place in the early 1920s. This was partly unintentional and due to the fact that Parliament fixed unemployment benefit after World War I in nominal terms despite the large ensuing fall in wages and prices. The Seattle authors cite Edwin Cannan as one of the few professional economists to realise what was going on. But in fact the well-known French economist, Jacques Rueff, had pointed out in the 1920s that unemployment insurance had established a float below which deflationary policies could not push British wages.**

The ratio of benefit to wages for a married man with two children rose from 21 per cent. in 1920 to over 50 per cent. in the late 1920s, fell back a little in the retrenchment of 1931 and then rose towards 60 per cent. in the late 1930s. Conditions of *payments were also relaxed in* the 1920s and supplementary benefits added for those whose insurance entitlement had run out. The National Government of 1931 made these additional benefits subject to the means test, of hated memory which initially deprived half the applicants of full benefit. But benefit levels were later restored and increased and the administration of the means test considerably loosened. Some corroboration of the importance of benefit is provided by the much lower inter-war rate of unemployment among juveniles in age groups where benefit was negligible and by the fall in female unemployment when payments to women were heavily curtailed.

How far should one accept the Seattle reappraisal of the inter-war years? The authors themselves point out that their estimates of the size of the benefit effect shown in the chart (and which appears to have raised unemployment by 7 per cent. in 1937) are very *uncertain—but they may be too* low as well as too high, especially for the higher ranges of benefit. The most important omission from their discussion is, however, the stigma attached to "being on the dole" in the folklore of the period. This was still the period of the work ethic when people would take jobs even if the monetary difference it made was modest.

Higher dole

The higher dole was significant because it interacted with the two other important causes of unemployment: monetary factors such as the 1925 return to gold at an overvalued parity and the world wide depression of demand of the 1930s: and the post-World War I decline in Britain's staple industries, with their heavy regional concentration. The dole would not have prevented people from taking work locally available, but probably did discourage workers, especially older ones, from up*rooting themselves to learn new* trades in the unfamiliar South Eastern part of the country. Moreover, the longer people were on the dole, the more demoralised and less employable they became, and the less attractive it became for employers to invest in the North and West in the periods of boom. While the improved dole did not cause the international or the British depression, the monetary, regional and dole-induced elements combined to produce a trauma from which British policies and attitudes are still suffering.



The unemployed in Seattle

Suffering

The policy problem, although not the human suffering, is in some ways worse to-day. The disincentives to work are higher at the margin; the implicit tax on a *family* man, with below average to average earnings, moving from untaxed social security to taxed earnings, and losing many benefits in kind en route, may easily be more than 100 per cent. At the same time, the ethical constraint on "opting out" and playing the social security *system* is *now* less among at least a substantial minority. Such cases coincide with the existence of real *suffering among other categories* of unemployed who are less well treated or who do not know the ropes of the system.

What policy conclusions follow from a recogniton of the connection between benefit and unemployment rates? Such recognition is often opposed because of the belief that it means "cracking-down on scroungers" and keeping benefits down. Interestingly enough some social democratic societies with "low" unemployment rates, such as Sweden and New Zealand come nearest to "cracking down." The older unemployed in Sweden are treated as "prematurely retired," while life is made very tough for the younger ones if they refuse "retraining" in both countries or job options such as forestry.

But this is by no means the only possible approach. As an alternative, *one might* just recognise that the normal level of unemployment must now be a good deal higher *than in the two post-war* decades and take a more relaxed attitude to the headline figures. A third approach put forward by Professor Martin Feldstein, a Carter adviser of anti-inflationary bent and a particular expert in the field, is to concentrate on improving work incentives within the present benefit system, for instance by taxing benefits and by linking employers' social security contributions to their own unemployment recovery ("experience rating") so that they have to pay the cost of unstable hiring and firing patterns.

By all means let us proceed along these lines in spite of the administrative objections of Civil Servants on both sides of the Atlantic; but at the end of the day I would rather tolerate high unemployment headlines than go in for a crackdown on "scroungers" or benefit rates which is bound to fall heavy-handedly on the more as well as less deserving. The one option which is simply not open *is to go on pursuing traditional* full employment targets, while ignoring the subsidies to time spent on "job search" or simply *resting between jobs, provided* by public subsidies.

**Searching for an Explanation of Unemployment in Interwar Britain*, Discussion Paper No. 76-14; Institute for Economic Research, University of Washington, Seattle, Washington 98195.

**M. Rueff has reviewed and brought up to date his earlier work in *The End of the Keynesian Era*. Opera Mundi, Paris, February 14, 1976.

Letters to the Editor

Welfare State benefits

From Mr. Frank Field.

Sir,—Joe Rogaly is right to call for a new Beveridge report. The overall effect of our present welfare state is unsatisfactory *not just because* many benefits are paid at a relatively low level but because its provisions trap into poverty an increasing *number of people. Joe Rogaly* is also right in pointing the way forward. We need to revert to the old Beveridge principles of ensuring that the major national insurance benefits, such as retirement pensions, are paid at a level above the official poverty line. We also need a generous system of family benefits which, because they are kept as income rises, rewards the vast majority of people who try to improve their own lot. This is why the new child benefit scheme is so important.

But any inquiry into the *welfare state needs to be even* broader than that suggested in "The time for a new Beveridge report." We also need to look at the growth of the second welfare state which consists of tax allowances. The "cost" of this is far in excess of what we pay out in welfare benefits. If *the true extent of tax concessions* were fully appreciated, it is possible that the public would demand a halt to the tax allow*ance welfare state in return for a* lower rate of income-tax.

Any changes on either of these fronts would need to be accompanied by a careful look at the burden of taxation. As Joe Rogaly has pointed out on other occasions our tax system is now an engine of poverty for an increasing army of low wage earners and their families. Reform of the welfare state must be accompanied by detailed consideration of the question of who is going to pay for the reform. The terms of reference of a Royal Commission would therefore need to cover not only the traditional welfare state of social security payments, but also the tax allowance welfare state for it is likely to prove impossible to *guarantee a minimum income* floor while retaining our unreformed system of income-tax.

Frank Field.
Child Poverty Action Group,
1, Macklin Street, W.C.2.

Our very own sterling crisis

From Mr. Peter Kirwan

Sir,—In his excellent article (September 16) "How We Manufacture Our Sterling Crises," Samuel Brittan touched on the frightening pace at which the nation's Eurodollar debts grow as the Government seeks to fudge the facts about our national insolvency by getting public bodies to borrow abroad.

The exchange rate losses are quite appalling, borne by the tax payer in most cases since they *are underwritten* by the Treasury. As an example of the losses possible may I draw attention to the only one of many Greater London Council overseas borrowings not guaranteed by the Treasury and thus a penalty to be borne by the ratepayers of London unaided. In October, 1973, the GLC borrowed Swiss Francs 200m. at a Sterling equivalent of £27,398,672. To repay this now would cost £46,728,971. How much the Nation's loss is, is just not talked about.

At a time when so much time and space is given to pontificating about Slater Walker and its *accounts, indefensible though* they are, we might pause to think what an auditor might say about our Banana Republic currency and the Treasury's "flexible" presentation of the Nation's accounts.

Peter Kirwan
Prospective Parliamentary Candidate, St. Pancras North Conservative Association,
37, Leighton Road,
London, N.W.5.

Urban transport planning

From Mr. Ralf Bonwit

Sir,—In calling for a transport policy co-ordinated at the highest level, the Director-General of the Institute of Transport stressed the importance of land use. This applies with special force to the planning of urban transport, where it can be suitably combined with traffic stream forecasts. It is by no means clear how these matters are to be resolved under the new Government structure—nor is it clear *how major urban transport projects* will be financed. Hitherto the final decision rested with the DOE as the department authorising grants to local authorities—even though PTE and equivalent bodies would make proposals and final allocations under the TPP procedure. One must assume that this will be now administered by the Department of Transport.

However, unless the new de*partment is empowered* to make special allocations for major local transport projects, there can be no hope of this country making up the headway gained by our Continental neighbours. While the London cross-rail and Manchester PicVic projects are buried in DOE pigeonholes, Paris is building its first main line rail tunnel. Continental cities of the size of our major towns have metro or underground tram sys*tems of the kind under construc*tion here only in Newcastle.

By treating land use, traffic forecasts and operational cost comparison as points of reference, Continental urban transport planners have been able to escape the deadening effect of cost-benefit analysis. This method *is unsuitable for* deciding on model choices and priorities in an urban context because it lacks an agreed value for "time in traffic"—a shortcoming admitted in the DOE Consultation Document which, however, makes extensive use of this approach. Congestion—probably the de*cisive factor in urban planning* for both passengers and freight movement—is treated by cost-benefit analysis as a multiple of "time." We must hope that the unification of transport planning advocated by the Institute of Transport can be achieved on a theoretical basis different from *the cost-benefit assumptions* which have caused so much damage to our transport infrastructure.

Ralf Bonwit
Sorby, Kiln Lane,
Binfield Heath,
Henley-on-Thames.

Co-ordinated travel

From Mr. Maurice Curtis.

Sir,—Very few people will disagree with Brigadier Locke's letter to-day commending the new Transport Minister *as evidence* of the Government's belated recognition of the need for a "co-ordinated transport *policy*." But many people within and outside the transport industry will doubt that the different transport modes are willing to support a policy of *co-ordination and integration* and all the changes, flexibility, and general "give and take" that would involve.

Far too much time and effort is expended by operators, trade associations, and trade unions, in attempting to protect and promote their own particular modes, with the help of subsidies —direct and hidden—where necessary.

The answer in the end must be based on what the public needs and wants—having been told quite clearly the true costs of different modes or mixtures of modes and what will be the probable future trends in those costs. And the special social needs of certain sections of the community need to be taken into account—and the true cost of doing so put fairly and squarely to those people who will have to bear the cost—usually the public at large.

The first task of the new Ministry should be to remove or expose all the *mystique* which has been built up around the different modes and to produce a reasonably sound estimate of the *economic and social costs*, advantages, and disadvantages of different modes in the context of the particular problems of the U.K.—to enable the public to judge the pros and cons of solutions contemplated by the new Ministry.

In other words, the Ministry should help the rabbits—which the public is only too often regarded as in matters of transport—to see the dogs and to judge which particular mixture is likely to give them the longest and happiest life with minimum total cost and discomfort in *economic* and social terms. This applies whether one is thinking about persons or goods.

Maurice Curtis.
Gilcroft,
Checkendon,
Oxfordshire

The efficiency of double glazing

From Mr. Bernard Schwartz

Sir,—"Double window on the world" (September 11) skilfully exposes the many misconcep*tions and misrepresentations* on the subject of double glazing which have confused the general public. I only wish that Mr. Rennison had gone further in his article to clear up this confusion.

The wide discrepancy in claims made for the performance *of double glazing is due to* the imprecise nature of the questions asked. The reason is that double glazing only becomes efficient when it is really cold outside, with an icy wind blowing. Your "average" saving does not depend on the quality of the installation as much as on the *severity of the* weather: In a mild winter you do not need it any more than you need an umbrella in fine weather.

The other major variation in performance is caused by the relationship between the size of the window area and the total *area of the external walls of the* property. In a terraced town-house for example, with large glazed surfaces to both front and back, double glazing will be about three times as effective as in a sizeable bungalow with tiny windows. If such a town-house is already well insulated the addition of double glazing will result in fuel saving of at east 30 per cent. in a moderately severe winter.

The glass manufacturers and the three official bodies listed by Mr. Rennison are in complete agreement on the scientific facts governing the performance of *double glazing*. The trouble is that they would seem to be unable to eliminate that fictitious entity "the average house" from their calculations. If only agreement could be reached by them on giving the public credit for a modicum of intelligence and the ability to carry out some simple calculations as instructed, the task of preparing authoritative guidelines on the merits of the *various forms of double glazing* would be reduced to manageable proportions. Such guidelines would enable each individual *property* to be judged in accordance with the prevailing circumstances rather than "common" factors which only confuse the issue.

Bernard Schwartz.
84, King Charles Road,
Surbiton,
Surrey.

Recognising fibre risks

From Mr. Charles Simeons

Sir.—While considerable con*cern is rightly expressed* at the risks associated with asbestos fibre, far less concern is applied as to the experience and competence of *companies and others* offering services to evaluate their presence.

With the exception of those recommended by the Asbestos Information Council, there is no recognised standard required. Correct training of people undertaking this work is vital. Fibre Counting, itself a subjective technique requires skill, patience and experience, otherwise undercounting will result.

Analysis offered at cheap rates is obviously attractive superficially, but there must be many cases where undercounting is by *factors between one fifth and* half the actual amounts of airborne dust present. This applies equally to companies using their own people who have not been properly trained in this new art. And yet undercounting can expose workers to between 2-5 times more asbestos fibre than is *allowed under present legislation.*

Charles Simeons.
Bedfordshire.

Public sector pensions

From Dr. Robert Cutler.

Sir,—Having been in private practice all my life, and only in the last year before retirement benefiting from the much increased tax allowance in respect of one's retirement annuity pension, the correspondence on index linked pensions I find *interesting*: lucky indeed are those public servants, firemen or judges or whatever, provided, and only provided, they live long enough after retirement at age 65 to enjoy this largesse. In the calculations quoted, as far as I can see, little regard has been paid to the actuarial expectation *of life of those surviving* to age 65 so the envisaged increments geared to inflation should be restricted to such periods.

Even so they may seem to be excessively generous—they do so to me—but on reaching three score years and ten, and regularly seeing the obituaries of old friends and colleagues *thought to* be still hale and hearty, the matter takes on a different perspective, so that one contemplates writing one's own obituary and entrusting it to some younger professional friend. In the meantime salt is rubbed into the wound by having to pay a punitive tax *rate on one's laughably* called "unearned income" resulting from hard won savings over the long years.

Robert Cutler.
19 Woodlands Road,
Surbiton, Surrey.

To-day's Events

GENERAL

EEC Foreign, Agriculture, and Eco-Finance Ministers hold one-day meetings, Brussels.

CBI Europe Committee meets.

Mr. Anthony Wedgwood Benn, Energy Secretary, speaks at public meeting of Paddington Labour Party, Porchester Hall, W.2.

Mr. Gerald Kaufman, Minister of State, Industry, in U.S.

Mr. William Whitelaw, deputy Opposition leader, addresses East Fife Conservative Association, Leven.

Herring fishing in North Sea banned from to-day until December 31.

Yorkshire Water Authority meets, Leeds.

Tameside (Greater Manchester) teachers meet local Council representatives.

Lord Mountbatten opens International Broadcasting Convention, Grosvenor House, W.1.

Sir Lindsay Ring, Lord Mayor of London, attends Upholders' Company dinner, Mansion House.

Darlington launches Britain's first Quiet Town experiment, sponsored by Noise Advisory Council.

National Book League exhibition marking Caxton quincentenary opens, 7, Albemarle Street, W.1 (until October 14).

Caxton Congress, organised by Printing Historical Society, opens at Imperial College, South Kensington, S.W.7 (until September 24).

OFFICIAL STATISTICS

Basic rates of wages and normal weekly hours (August). Monthly index of average earnings (July).

COMPANY RESULTS

Ozalid Group Holdings (half-year). Tricentrol (half-year). United Biscuits (Holdings) (half-year).

COMPANY MEETINGS

See Week's Financial Diary on page 38.

OPERA

English Music Theatre Company perform Rossini's "Cinderella," Sadler's Wells Theatre, E.C.1, 7.30 p.m.

MUSIC

Orchestre de Paris, conductor Daniel Barenboim, play works by Franck (Symphony in D minor); Debussy (Prélude à l'après-midi d'un faune); and Ravel (Suite, Daphnis et Chloe No. 2). Royal Festival Hall, S.E.1, 8 p.m.

Philip Pilkington gives piano recital of music by Bach, Beethoven, Chopin, and Stravinsky, Wigmore Hall, W.1., 7.30 p.m.

SPORT

Golf: Benson and Hedges pre-qualifying, Fulford, York.

COMPANY NEWS + COMMENT

Laird Group £0.5m. setback midway

THE WARNING given by the Laird Group that first half 1976 profits could be lower has been borne out. In the event they are £0.5m. down at £3.04m.

At the annual meeting in June, it was stated that the motor components business had shown substantial gains, but a marked and rapid improvement was needed in steel profits.

The interim dividend is raised from 1.19p to 1.31p net, payable November 29; and the directors intend to pay a final of 2.63p, which would compare with 2.39p.

	First half 1976 £000	1975 £000	Year 1975 £000
Turnover	52,102	48,158	101,590
Profit before tax	3,037	[illegible]	7,074
Taxation	1,400	1,780	3,212
Net profit	1,677	1,751	3,862
Dividends	519	472	947
Retained	1,119	1,279	2,915

U.K. tax is deferred by capital allowances and stock relief. Overseas tax is £700,000, against £280,000 last time.

Certain of the group's ship-repairing and aviation subsidiaries together with the 50 per cent. equity holding in Cammell Laird Shipbuilders are included in the nationalisation proposals.

See Lex

HIGHLIGHTS

Interim figures from the Laird Group have been released over the week-end and Lex takes a look behind the £½m. profits fall to £3m. on turnover £10m. higher at £58m. Elsewhere the report from BET makes for interesting reading. Though some of the subsidiaries remain in the doldrums the group is going for a further increase in profits this year. Turning to this week there is a fair spread of interim figures starting with United Biscuits to-day, BICC and Bank of Scotland to-morrow, RTZ on Wednesday and Vickers, Pearson Longman and Delta Metal on Thursday.

Improving trend at W. Norton

MACHINE tool merchants W. E. Norton (Holdings) has demonstrated its ability to weather what has proved to be the worst slump in the industry since the 1920s and chairman Mr. W. E. Norton says that it is his firm belief that the cycle is once again on the upswing.

In these circumstances prospects, for several years ahead, are better than ever before, he states.

This year's International Machine Tool Exhibition will undoubtedly influence sales and orders over the next 12 to 18 months.

As reported on June 3, pre-tax profit for the year to March 31, 1976 expanded from £284,804 to £336,450 and the dividend per 5p share is stepped up from 0.5201p to 0.55782p net.

The auditors say they are unable to satisfy themselves that the value of the company's investment in KTM Machine Tools (Holdings) is equal to its book value.

Mr. Norton says when the accounts for 1975/76 were prepared the directors were of the opinion that this shareholding had value and prospects of future appreciation. Subsequently, however, a scheme of arrangement was put forward to the court last month relating to Kearney and Trecker Marwin, which entailed its passing into the control of Vickers on terms which made it impossible for the shareholding in KTM Machine Tools (Holdings) to have any value. The directors decided to contest the scheme in the court but the decision was unfavourable and they decided not to risk the cost of a possibly unsuccessful appeal. It is considered, however, that from other quite separate litigation now pending in connection with this particular shareholding the company has good prospects of recovering a substantial sum in excess of the amount to which it had already been written down in the company's books.

On the very worst assumptions the company's reserves are more than adequate to cover any further loss on this shareholding, even before taking into account the claim which the company would make for a reduction in its present tax liabilities, says Mr. Norton.

Meeting, Birmingham, on September 23 at noon.

L. Newmark making progress

ON PRESENT indications Mr. Geoffrey Newmark, chairman of Louis Newmark, considers that, given no deterioration of the economy, the current year should prove to be a satisfactory one.

Progress is being made in many directions, particularly in updating manufacturing activities, he adds.

As reported on August 20 group pre-tax profit increased from £1.26m. to £1.62m. in the year to April 3, 1976. Exports amounted to £2.13m.

The main feature was the recovery in merchanting activities from the downturn in the previous year when substantial losses arose from the recession in the textile industry.

Net liquid funds increased by £918,269 (decrease £41,358). This should enable the company to take full advantage of the expected expansion of the world economy, and of investment opportunities in new plant and products, says Mr. Newmark.

Meeting, 143-149, Great Portland Street, W., October 14 at noon.

Chairman's Statement Page 13

£0.6m. from Nigerian Electric

For the year to February 29, 1976, pre-tax profit of Nigerian Electricity Supply Corp. expanded from £530,594 to £619,553 on sales of current ahead from £1.1m. to £1.37m.

Tax took £354,134 (£177,945) leaving the net balance down from £352,649 to £265,429. Earnings per £1 share fell from 28.4p to 18p. The dividend total is lifted from 7.906p to 9.75p with a second interim of 5.2p net.

The control on the export of tin, enforced in April 1975, resulted in less power being used by the mining consumers who accounted for only 62 per cent. (67.8 per cent.) of total units sold, reports chairman Sir Miles Clifford.

Operating results for the first five months of the current year indicate a drop of 18.75 per cent. compared with the same period of the year under review. This decline in net revenue can only be arrested by increased power tariffs, which are being introduced in the second half of the year.

Mr. Trevor Trefgarne is interested in 16.05 per cent. of the capital. Meeting, Management House, Parker Street, W.C., on October 13 at noon.

Guardian Assce. South Africa

Guardian Assurance, the South African subsidiary of the U.K. group, and its own subsidiary Liberty Life, both showed useful growth in the six months to June 30.

Guardian pushed up profits from R5.8m. to R7.6m. pre-tax, and earnings picked up from 5.9c to 6.9c. Liberty's consolidated taxed profit rose from R3.6m. to R4.5m. New business written showed a rise from R376m. to R436m. in the half year; recurring annualised premiums amounted to R9.3m., excluding single premiums.

Both companies have declared interim dividends for the first time—Liberty 24 cents and Guardian 4 cents.

Ellis & Everard potential

ALTHOUGH there have been increased sales and a growth in the scope of Ellis and Everard's operations during the past year, this has been achieved without any significant change in the group's borrowings and chairman Mr. A. J. Everard considers this is a very satisfactory performance in a year of high inflation.

Against the prospect of a very difficult year generally for the national economy, the directors plan to increase the company's market share through greater efficiency and better facilities.

They are proposing to continue the profitable development of the chemical division in pursuit of its objective of achieving national coverage, the markets for chemicals are increasing, and the directors anticipate another year of solid and profitable growth in this division.

In the building supplies division the present depressed trading conditions make it extremely difficult to achieve the volume of throughput for which new branches were designed. Active steps are being taken to prepare for more normal levels of trading, even though this may be some time off. If this is so, it will be another hard year in this division, but one in which an all-round improvement is aimed for.

As reported on August 17, taxable profit for the year to April 30, 1976 recovered from £604,472 to £1,058,430. Treasury permission has been obtained for a total dividend of 5p (3p) per share.

A statement of source and application of funds shows an increase in working capital of £679,000 (£1,031,000).

Unilever owns 31.49 per cent. of the Ordinary capital.

Meeting, Leicester, on October 1? at noon.

Chairman's Statement Page 36

Miller Rayner downturn

For the half-year ended April 30 external turnover of Miller Rayner and Hayson fell from £1.28m. to £1.17m., and profits before tax were down from £131,390 to £73,613.

After tax £38,279 (£68,318) net profit came out at £35,334, against £63,062, for earnings of 1.86p (3.4p) per share.

The company carries on the business of makers and suppliers of industrial clothing, merchant navy tailors and outfitters.

Freddie Mansfield

Mr. Denis Mountain, chairman of Eagle Star Insurance, who is due to-morrow to announce the results for the first half of 1976.

S & P fixed interest dollar fund

Save and Prosper Management (Jersey) is launching a dollar-fixed interest fund to-day.

The fund is primarily intended as an investment vehicle for investors who are not resident in the Scheduled Territories or who hold freely-convertible currency.

It will provide a way for U.K. expatriates and other investors outside the Scheduled Territories to invest in a managed portfolio of fixed-interest securities denominated in currencies other than sterling.

The initial offer, opening to-day and closing on October 13, is of 390,000 shares of U.S. $10 each. Dealings begin on October 27 and thereafter weekly on Wednesdays. Initial purchases have to be for a minimum of 200 shares, which will be available either in registered form or in the form of International Depositary Receipts.

The fund's investment objective will be to produce a high and stable distributable income and to protect capital values. Estimated initial yield on the fund is 7 per cent. per annum.

The managers anticipate that the initial portfolio will consist primarily of U.S. dollar-denominated bonds traded in the Eurocurrency markets and on which interest is payable without deduction of withholding tax. Additionally, assets may be held in cash in bank deposits or deployed through the money market in currencies other than sterling.

Dividends will be paid in U.S. dollars on July 15 and January 15 and the first distribution will be made next July.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims: Garton Cooper, Antony Gibbs, C. H. Johnson, Low and Bonar, Ozalid, Pataling Rubber Estates, Richards (Leicester), Sheffield Twist Drill and Steel, Tricentrol, United Biscuits, Wadham Stringer.

Finals: Celtic Haven, Chambers and Fargus, Ezra Holdings, Empress Services, F. and C. Eurotrust, Goodman Bros. and Stockman.

FUTURE DATES

Interims—	
Bandanga	Sept. 21
Hamiltborne	Sept. 21
North British Canadian Invest.	Sept. 24
Teacher (Distillers)	Nov. 3
Travis and Arnold	Sept. 23
Finals—	
Beckman (A.)	Sept. 29
Bejam	Sept. 28
Cray Electronics	Oct. 4
Francis (G. R.)	Sept. 22
H.T.V.	Sept. 23
Highland Distilleries	Oct. 25
Rivlin (J. D. and S.)	Sept. 27
Scholes (George H.)	Sept. 21

New service from Trident Life

Trident Life Assurance has launched a new quarterly reporting service to qualifying holders of investment funds in the Trident Managed Portfolio, available to investors holding £5,000 or more in the fund.

A separate report is issued on each of the six funds in the portfolio—the managed fund, high yield fund, money fund, equity fund, property fund and guaranteed managed fund — and covers such areas as the object of the fund, its progress, portfolio composition and investment strategy. Each report will also give the company's view of the economic scene as it affects the individual fund.

The aim of the reports is to help policyholders and their professional advisers get the best from the funds.

Tavistock helps JCI

Tavistock and South Witbank Collieries, the South African coal producers, contributed substantially to the attributable profits of Johannesburg Consolidated Investments in the year ended June 30, when the house profits, at the net level, slipped from R27.5m. to R26.9m. (£17.7m.). JCI holds 52 per cent. of Tavistock.

Tavistock, operating over a 13-month period to June 30, produced pre-tax profits of R9.7m. (£6.38m.), which translated back to R6.3m. at the net level. Without the Tavistock contribution, therefore, consolidated in JCI's accounts for the first time, the JCI profits would have been lower.

The chairman, Mr. Arthur Taylor, the Johannesburg stockbroker who has run Tavistock for many years, says that the 226c (148p) per ton price increase for inland coal awarded on July 2 shows "a more realistic approach" on the part of the Government, but adds the warning that "this is but the first step towards bringing the domestic price of coal to the level required for the opening of new collieries." Without this happening, Mr. Taylor adds, demand will inevitably outstrip supply. Tavistock itself plans to build up to 3m. tons of coal per year and is one of the few groups which can increase capacity without entering into "Greenfields" operations.

W. G. Allen soundly based

During the year to March 31, 1976 measures taken to control investment in working capital of W. G. Allen and Sons (Tipton), have produced a strong balance sheet with total borrowings reduced from £1,049,000 to £143,000 and representing under 5 per cent. of shareholders' funds.

This gives the group a sound base from which to finance any increase in activity.

Chairman Mr. T. C. Frankland says the performance during the current year will largely depend on underlying economic trends and although in some parts of the group, such as Allen Ygnis, there has been a marked improvement in the level of orders, the overall pattern does not yet indicate a substantial recovery in economic activity.

As reported on August 13, pre-tax profit for the year to March 31, 1976 advanced from £390,052 to £558,795.

Meeting, Tipton, on October 14 at noon.

BIDS AND DEALS

Swire buys 26% stake in Blyth Greene

John Swire and Sons has bought a 26 per cent. stake in Blyth Greene Jourdain and Co., mainly from one major institutional shareholder.

It is expected that Swire will now seek a representative on the Blyth, Greene, Jourdain Board.

Both groups have major interests overseas—especially in the Far East—and anticipate considerable mutual benefits from the association.

NEIL & SPENCER ACQUISITION

Agreement has been reached for Neil and Spencer Holdings to acquire the capital of the Hyelamet Company of Horsham, for £145,000 cash. Net asset value is £150,000.

Payment is being made on the basis of 60 per cent. (£87,000) on completion, and the balance in two equal annual instalments of £29,000 (20 per cent.) at 12 and 24 months following completion.

Commenting on the acquisition, Mr. Stephen Proctor, managing director of Neil and Spencer, says it brings several benefits—it has a factory adjacent to the N and S main plant and already acts as a supplier. This will strengthen manufacturing capability, and in addition, Hyclamet's range of special security locks for burglar alarm systems, parking meters, coin-operated vending machines and similar applications will provide a new area of expansion.

ASSOCIATES DEAL

Rowe and Pitman Hurst Brown has bought on behalf of Castlemere Properties (Manchester) 70,000 Abercorn General Investments at 74½p.

B.E.T. looks to top record £45.92m.

RESULTS to date at British Electric Traction Co. are encouraging and profits for the full year should exceed 1973/4's record £45.92m. By how much that record will be beaten depends upon how the economy fares during the next seven months, says chairman Sir John Spencer Wills.

Pre-tax profits for the year to March 31, 1976, reported September 3, expanded from £37.75m. to £42.06m., on turnover up from £378.96m. to £437.13m., and the dividend is raised from 4.247p to 4.653p net.

Contributions towards the partial recovery came from Rediffusion, whose subsidiary Redifon produced record results, Advance Laundries, Boulton & Paul, where there was an upturn in profits after the substantial setback experienced last year, United Transport and Canadian Motorways.

The plant hire companies did well to maintain, under difficult conditions, particularly in the latter part of the year, the level of profits achieved in 1974/75.

Against the foregoing performances have to be set the losses which continued to be incurred by Murphy Bros. and Humphries Holdings, and the cost of financing Wembley Stadium's building development programme.

There is evidence to show that Murphy Bros. is on the mend and it is expected that this year Humphries Holdings will register an improvement in its position.

Twelve months ago, particular attention was being paid to companies' cash positions and this led Sir John to comment on the satisfactory financial position of the B.E.T. Group.

The subsequent improvement in the position then outlined is reflected this year. Bank borrowings and loan capital at £80.6m. are £7.2m. less than at the end of the previous year. Against this indebtedness there is cash of £14.2m. (excluding £8.8m. held in Rhodesia), and general investments, virtually all of which are quoted securities, valued at £47.5m. compared with £27m. Net borrowings at March 31 were therefore, £18.9m.—a reduction of £28.8m. compared with 12 months earlier.

The latest valuation of the general investments, made at the end of July, showed them to be worth £46.5m.

At March 31 capital expenditure authorised and not provided for totalled £43m. (£50.4m.), including commitments estimated at £29m. (£34.77m.).

Meeting, Connaught Rooms, W.C., October 14 at 12.15 p.m.

● comment

The black sheep within BET's diverse interests are yet to return home with the goods. Both Humphries and Murphy, which were substantial loss-makers in 1974-75 with a combined negative contribution of £3.39m. made no progress, and thanks to Murphy their combined loss last year was up to £4.07m. Admittedly Humphries' latest figures include £321,000 of redundancy payments but a drastic retrenchment at the Film Laboratories is no overnight affair, while the losses at De Lane Lea "remain to be solved." At Murphy the U.K. operations are expected to return to profits this year, but the German subsidiary Junk and Gruber, acquired in 1973 (£1.22m. loss last year) is not looking any better. On a brighter note Boulton and Paul is staging a recovery after the previous year's profit fall of 70 per cent. to £1.58m. and Rediffusion TV should also be improving after the 13 per cent. set-back to June 1975. Overall BET is completing its recovery and profits this year will top the previous peak of £45.92m. At 67p the shares are on a yield of 10.7 per cent. and the p/e is 6½—dropping a point prospective. The balance sheet remains strong with borrowings of £66.4m. (before deducting investments) against shareholders' funds ex-goodwill of £144.67m.

Chairman's Statement Page 3

Reports to meetings

Letraset trading well

Mr. W. Fieldhouse, chairman of Letraset International, told the annual meeting that the international spread of the company's trading was a major contributor to last year's record results and it would be equally important as economies recover from recession.

As to prospects, he said the Board's expressed optimism for 1976-77 was fully borne out by current trading.

The following are extracts from other chairmen's reports to their respective meetings.

Cowan, de Groot—Mr. D. Cowan said current trading was excellent and orders were at record levels. Finances were good and though funds were sufficient, the company had recently arranged additional short term financing as a contingency.

Negotiations were at an advanced stage with a substantial company which was expected to join the electrical and hardware division soon.

Denbyware—Mr. G. H. Robinson reported on a difficult first half, particularly in America where the degree of economic upturn expected had not yet materialised. In addition, and as anticipated, some once and for all expenses had to be borne.

As to the second half, he had no doubt that it would show good improvement over the first—in particular the export drive was showing good promise—but to predict the final outcome of the present year would be foolhardy.

Nolton Estates — Remedial action applied to Anthony Mac had shown a response giving material improvement in the income of that business.

In line with Board policy a small freehold office block in Leytonstone had been sold for £75,000, thereby reducing overall borrowing.

Hogg Robinson Group—Year had started well and directors confident there will be a further increase in group profits.

FT Share Information Service

The following securities have been added to the Share Information Service:—

Barr and Stroud (Section: Industrials Misc.), Gloucester and Cheltenham Invs. (Section: Industrials Misc.), Hill 50 Uranium N.L. (Section: Overseas—Australian).

Pending dividends timetable

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming Board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent. shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements.

	Date	Announcement last year		Date	Announcement last year
APV	Sept. 25	Int 10	International Combustion	Oct. 17	Int. 10
Assoc. Biscuit	Oct. 21	Int 9.2	Johnson and Firth Brown	Oct. 21	Final 14.2
*Bank of Scotland	Sept. 21	Int 6	Kuala Lumpur	Sept. 1	Int 5
Berry Wiggins	Sept. 15	Int 4.7	*Laing (John)	Sept. 27	Int. 1.9
*BICC	Sept. 21	Int 6.9	*Laporte	Sept. 22	Int. 3.7
*Booker McConnell	Sept. 22	Int 7.4	Legal and General Assur.	Oct. 13	Int. [illegible]
*Bovring (C. T.)	Sept. 27	Int 4.4	London Brick	Oct. 24	Int. 6.7
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
*Fisons	Sept. 27	Int 6.7	Storey Bros.	Oct. 10	Int 5.1
*Foseco Minsep	Sept. 29	Int 9.5	*Tarmac	Sept. 27	Int. 4
Freemans (London)	Sept. 30	Int 12	Thomson Organisation	Oct. 2	Int. 9
Glaxo	Oct. 19	Final 12.9	IBM	Oct. 23	Int. 10.82
Grattan Warehouses	Oct. 7	Int 10.1	LDS	Oct. 14	Int. 12.9
*Harris and Sheldon	Sept. 27	Int. 7.1	*United Biscuits	Sept. 20	Int. 8.7
Hawker Siddeley	Oct. 21	Int 9.41	*Vickers	Sept. 23	Int 3
Hepworth (J.)	Oct. 28	Final 22	Wilmot-Breeden	Oct. 15	Int. 4
*Ibstock Johnsen	Sept. 21	Int 12.1			

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

Textron upturn in Europe

BY JOHN WICKS

ZURICH, Sept. 19.

TURNOVER OF Textron Atlantic, the subsidiary of the U.S. conglomerate Textron Incorporated responsible for the group's operations in Western Europe, rose last year to $142.61m. ($129.47m.) Net income was $3.08m. compared with a figure prior to restatement for changes in foreign-currency translation of $2.23m. for 1974.

Major contributors to the company's sales growth were the U.K. subsidiaries Adcock-Shipley (milling machinery) and Fafnir (ball and roller bearings), as well as the Waterbury Farrel, Bell Helicopter and Talon operations. The Bostitch division, with plants in the U.K., Germany and Spain, "reflected the softness in the home and commercial construction industries." New channels of distributions for Fafnir and the Hemel Hempstead-based Sheaffer Pen subsidiaries were established and the impact of these moves is expected to be felt more fully this year and in the future.

Schering U.S. move

WEST BERLIN, Sept. 19.

SCHERING SAID it has taken over the Warner-Lambert company unit, Nepera Chemical company and thereby controls for the first time since 1942 its own U.S. chemical production works. It did not disclose the purchase price, but said the takeover will be completely financed from its own funds.

Nepera Chemical employs over 200 workers and develops and processes chemicals, especially pyridine and pyridine derivative. Its 1975 turnover reached $20m.

Reuter

London tea sales

At the tea sales held in London last week 29,977 packages sold realised an average price of 96.9p per kilo compared with 98.12p at the previous sales and against 86p a year ago. Plain tea was quoted at 79p.

	No. of kilos	Average per kilo
African Highland Prod.	17,757	107p
[illegible]	[illegible]	[illegible]
Janatha	107,726	81p
Jhanzie	5,096	118p
Jokai	17,119	114p
Kenya T. Co.	31,674	110½p
Kenya T. Dev.	52,346	[illegible]
Land Reform	3,805	95½p
Luberi	61,362	92p
[illegible]	[illegible]	[illegible]

Public Works Loan Board rates

Effective from September 18, 1976.

Years	Quota loans repaid by EIP†	Quota loans repaid by EMI	Quota loans repaid at maturity	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid by EMI	Non-quota loans A* repaid at maturity
Up to 5	11½	12	12	13	13	13¾
Over 5, up to 10	12	12¼	12	13¼	13½	14
Over 10, up to 15	12¼	12½	14¼	13½	14	14¾
Over 15, up to 25	12½	14	14½	13¾	14	14¾
Over 25	14	14½	14¾	14	14½	15

* Non-quota loans B are 1 per cent. higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Equal repayments.

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

INTERNATIONAL COMPANY NEWS

SIA well ahead of forecast with 9% earnings gain

BY OUR OWN CORRESPONDENT

SINGAPORE, Sept. 19.

DESPITE its own pessimistic forecast, Singapore International Airlines (SIA) managed to chalk up a 2.4 per cent. increase over the previous year in pre-tax to S$41.4m. for the year ending March, 1976. Chairman Mr. J. Y. M. Pillay described this in his annual statement as a "well above average" performance within the airline industry.

At the group level, the performance was even better with contributions from the major subsidiaries—Singapore Airport Terminal Services and Singapore Airport Duty Free Emporium—providing much of the boost to the 9 per cent. upturn in consolidated pre-tax profits to S$71.7m.

The after-tax profits for the company and the group were S$30.3m. and S$37.8m. respectively. The company has decided to declare the customary 10 per cent. dividend.

Looking into the immediate future, Mr. Pillay expects an improvement in yields as well as abatement in inflation. But for the longer term outlook, he painted a more sober picture.

Several statistical indicators, he said, gave rise to concern. The sales margin for the year was 6 per cent. against 21 per cent. five years ago and gross return on total assets was just 5 per cent.

Self-generated funds accounted for merely 40 per cent. of total cash needed for investment and increase in working capital and it is not surprising that shareholders' funds constituted just 20 per cent. of total assets.

Another major problem, Mr. Pillay pointed out, was the "hostile environment" the airline faced in its attempt to continue with route and market development.

Reviewing the year's operations, he disclosed that total revenue for the company rose by 25 per cent. to S$695.5m. but operating expenditure expanded at a more rapid rate of 30.4 per cent. to S$650.8m.

Increase in unit operating cost was held to 5.2 per cent. against 9.4 per cent. in the previous year, but the overall yield fell by 4.6 per cent. to 101.5 Singapore cents per tonne-kilometre flown by the airline thus raising the break-even load factor from 55 per cent. to 60 per cent. The overall load factor improved from 60 per cent. in the previous year to 64 per cent.

Nijverdal forecasts further major losses

BY MICHAEL VAN OS

AMSTERDAM, Sept. 19.

NIJVERDAL-TEN CATE, Holland's largest integrated textiles company, has incurred a Fls.17.6m. (£3.8m.) loss in the first half of this year and further major losses are expected for the second half.

The substantial loss compares with a loss of Fls.9.4m. in the same period last year. Sales have risen, however, by at least 13 per cent. to reach Fls.228m.

Nijverdal attributes the losses to the "difficult situation" in the textile industry as well as to extra costs as a result of the re-organisation and reduction of certain product sectors, added that its liquidity position was not at present giving cause for concern. It disclosed that the company has been granted a State subordinated loan of Fls.25m.

The company added that in the first half of this year, the price of the main raw material cotton has risen by about 80 per cent. on the world market. As usual, Nijverdal said, the related upvaluation of stocks has been kept outside the profit/loss account and added to the reserves (Fls.10m.).

The company pointed out that in view of the structural aspects of the difficulties in certain sectors of the textile industry, the need for further reorganisation remained unchanged—in the period end-December, 1975, to August 16, 1976, it had already reduced staff in Holland by 483 to 4,968. The impact of the reorganisation would not have beneficial effects on the operating results until the end of the year, which is why second-half losses would also have been considerable.

Nijverdal, a quoted company had sales last year of Fls.410m. (down 15 per cent.), with exports accounting for just over 40 per cent., mainly within the EEC. Its 1975 losses totalled Fls.28.8m., which included a sum put at Fls.10.4m. as a necessary extra-devaluation of stocks. It passed the dividend.

Overseas lift for Skandia

By William Dullforce

STOCKHOLM, Sept. 19.

SCANDIA, the Swedish insurance company, expects to improve the operating profit from its accident insurance this year to Kr.110m. (£14.4m.) from Kr.99m. in 1975, despite a loss on the domestic account of some Kr.130m. The income from capital operations is expected to rise by Kr.9m. to Kr.160m. but the most spectacular increase in earnings, from Kr.27m. to Kr.80m., is anticipated in the company's international business.

Skandia's international operations have been expanding much faster than the domestic, especially in North America. Premium income from abroad is expected to rise by 37 per cent. to Kr.1.8bn. (£235m.) this year, amounting for the first time to over half the company's total premium income on accident insurance, which is forecast to reach Kr.3.47bn.

The forecast published to-day is based on the (unspecified) results for the first eight months of the year.

Money and Exchanges

Bank of England Minimum Lending Rate 13 per cent. (since September 10, 1976)

Recent moves by the authorities to reduce liquidity in the banking system led to a sharp increase in interest rates in the London money market last week. The 1½ per cent. increase in Minimum Lending Rate at the end of the previous week was reflected in an upward adjustment of rates on Monday. The call for an extra 1 per cent. of special deposits from the banks, announced on Thursday, was followed by a further upward trend in interest rates, with the shorter end of the market recording the largest increase.

Three-month interbank rates, which were fairly steady at around 11½-11¾ per cent. throughout the previous week, touched 12¾-12⅞ per cent. last Monday, and 12½-12¾ per cent. on Thursday, before ending the week at 12¾-12⅞ per cent.

Local Authority loan rates increased in line with other interest rates, with short-term deposit rates reacting to the call for special deposits, while longer term and mortgage rates were steadier. One year local authority bonds were placed during the week at par with a coupon of 12¾ per cent., to offer a yield ¾ per cent. higher than the previous week's batch.

Day-to-day credit was in good supply in the money market last week and the authorities did not intervene on Monday and Tuesday, although a shortage had been expected on the first day.

The main features of the foreign exchange market last week were the weakness of sterling and occasionally the U.S. dollar, contrasted with the strength of the West German mark.

Sterling was allowed to float without any major intervention by the authorities, touching a low point of $1.7200-1.7310 around mid-day on Wednesday. On the same day the pound's trade-weighted average depreciation, as calculated by the Bank of England, widened to a worst ever closing level of 41.7 per cent., only 0.2 per cent. better than the all time low of 41.9 per cent. touched on June 3.

The announcement about special deposits was a helpful factor on Thursday, as was encouraging news with regard to the seamen's dispute. The improvement in the trade deficit during August brought about a short lived recovery earlier in the week, but nervousness about the general economic and financial situation in the U.K. tended to predominate throughout.

The D-mark finished at DM2.4785 in terms of the dollar, compared with DM2.50875 at the end of the previous week, reflecting the nervousness surrounding sterling, and also speculation that the D-mark will be revalued following the West German general election in October.

Gold increased in value at the end of the week, following a generally favourable reaction to the gold auction by the International Monetary Fund. It finished on Friday at $118-119, compared with $116-117 a week ago, and after touching $109.50 at the morning fixing on Wednesday.

Sept. 17 1976	Sterling Certificate of deposit	Interbank	Local Authority deposits*	Local Auth. negotiable bonds	Finance House deposit	Company deposits	Discount market deposits	Treasury Bills ◆	Bank Bills ◆	Fine Trade Bills ◆
Overnight	—	9-12½	—	—	—	12½-12¾	8-12½	—	—	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Local authorities and finance houses seven days' notice, others seven days' fixed. * Long-term local authority mortgage rate nominally three years [illegible] ◆ Buying rates for prime paper. [illegible]

Finance House Base Rates (published by the Finance Houses Association) 11½ per cent. from August 1, 1976. Clearing Bank Deposit Rates for small sums at seven days' notice [illegible] per cent. Clearing Bank Rates for lending 13 per cent. Treasury Bills: average tender rate of discount 12.4486 per cent.

FOREIGN EXCHANGES

[illegible]

OTHER MARKETS

[illegible]

GOLD MARKET

[illegible]

EXCHANGE CROSS-RATES

[illegible]

FORWARD RATES

[illegible]

EURO-CURRENCY INTEREST RATES*

[illegible]

SPECIAL DRAWING RIGHTS RATES

[illegible]

MINING NOTEBOOK

Now it's 'what happens' to Poseidon

BY LODESTAR

IN YOUR "Whatever happened to?" series on Australian stocks could you get around to Poseidon? This was the gist of some what I suspect to be tongue-in-cheek queries that reached me last week. One reader with a long memory even went so far as to say that, as I had probably written more words on this particular subject than anybody else, and "had even sometimes been right in predicting the course of the shares," who could be better qualified to give a verdict now? All I can say to that is, thanks.

Well, I must admit that nobody who preached caution in the great boom days was believed and indeed, as I well know, could even render himself highly unpopular. But the most rabid bear could not have foreseen, when desperately trying to close his position at over £100, the day when the shares would be under £1.

But, enough of hindsight. The great question is what now? One thing seems to be fairly certain, Poseidon is broke, and could face receivership if lenders such as the Australian Industrial Development Corporation eventually decide to foreclose. This, however, seems unlikely and indeed unnecessary.

Equally unlikely, I gather from Australia over the week-end, is that the much-rumoured bid for the company by Western Mining on a one-for-two share basis will materialise. After all, why should it? Western Mining could obviously be interested in picking up the other half-share in the Windarra nickel operation at a knock-down price. But it would hardly want to extend its interest in the now closing-down Mount Charlotte gold mine on Kalgoorlie's once-famed Golden Mile, or take a stake in the loss-making Burra copper producer in South Australia.

And although it might conceivably be interested in the management contract for Queensland Mines' Nabarlek uranium prospect, this Poseidon "plum" is now regarded as having a question mark hanging over it. Also overshadowing the market in Poseidon shares is the outcome of Australian stock exchange inquiries into sales made before the final revelations about the company's strained financial circumstances were made.

On Friday, Poseidon was 80p, after having touched 130p last week prior to the year's disastrous financial results being published and comparing with 85p when the listing was restored after the brief suspension of dealings. Only one broker has been bold enough to send me an analysis of the situation which actually attempts to work out a valuation for the shares. It comes from Laurence Prust and is 104 cents, which compares with 95 cents in Sydney on Friday. So it is hardly an exciting calculation.

Poseidon is obviously going to be a highly erratic market for a long time yet but with none of their past glamour. If I were stuck with them I would hang on, but he would be a bold speculator indeed who would actually buy them at this stage. True, he could reap a whirlwind but in which direction is highly debatable, though the final word comes from a Sydney broker with that classically hopeful phrase: after all, the shares are only option money now.

S. African finds

There is one encouraging aspect of the South African mining scene. The unrest in that country is having scant impact on the pace of investment in the industry's future. This brings us round to that formerly exciting area for new base-metal discoveries, the north-western Cape. Developments there seem to have faded out of the news in recent months. But, our Johannesburg correspondent reports, activity has been proceeding quietly with the emphasis on testing the feasibility of the various ore-bodies discovered.

The front runner is still America's Phelps Dodge with its three copper-lead-zinc-silver deposits at Aggeneys and Broken Hill. Last week saw a major step forward at the latter property with a decision to sink a shaft in order to confirm drilling results which had indicated 70m. tons of ore averaging 0.4 per cent. copper, 4.3 per cent. lead, 2.3 per cent. zinc and 1.7 ounces a ton of silver. A firm decision on whether to proceed from there should be taken by the end of the year. At the moment it is uncertain whether any mining operation would be open-pit or underground.

Phelps Dodge is now reckoned to be well enough placed financially to find its share of the R100m. (£66m.) that would be needed to establish a mine probably in conjunction with a local partner. Other finds in the area include RTZ's low-grade copper, "Johnnies" zinc-copper and Newmont's zinc strike at Gamsberg put at over 90m. tons grading 7.4 per cent. zinc. The last-named is thought to be nearest a go-ahead decision with extensive underground development from an adit.

Exploiting the Gamsberg and Aggeneys finds depends on a decision still awaited from Pretoria for a R50m. (£33m.) rail link to the Sishen-Saldanha line to provide transport to the coast of the concentrates or for finished metal if it is decided to establish on-site smelting and refining.

Down-under

The Poseidon debacle should not be allowed to overshadow the various exciting developments in the Australian mining sphere. This column's stressing of the big coal possibilities received another fillip last week with the news of British Petroleum's proposed acquisition of a £115m. stake in the New South Wales coal operations of Daniel K. Ludwig's Clutha Development group.

The tidying up of the Gold Fields interests in Australia foreshadowed here last Monday has already begun with the proposed corporate reconstruction of the Goldsworthy iron ore operation and the Associated Minerals-Western Titanium beach sand merger. This is not likely to be the end of the story.

An interesting facet of the Goldsworthy deal is that Utah Development, Australia's biggest profit earner, is to continue as manager and sales agent and is also to sustain its third interest in the project. Utah Mining Australia has a 10.8 per cent. stake in UD. Its shares remain a firm market at 460p. Broking enthusiasm for them was outlined here on September 6.

From the latest remarks by Western Australian Premier Sir Charles Court welcoming the Goldsworthy reconstruction there is once again no doubt which horse he is backing in the race for new Japanese iron ore contracts. It is Goldsworthy's area "C," not Hanwright-Texasgulf's Marandoo. Gold Fields seems to be pretty confident on this score, too. But Consolidated Gold Fields Australia shares, which the London parent has been buying as recorded here last week, have fallen back to 260p. If area "C" wins they will have another shot in the arm in more ways than one.

Finally, I have been talking again to the shyly anonymous broker who was so successful in backing Randfontein against Pancontinental three weeks ago. Buy RTZ (163p) he said. They are "artificially" depressed. I saw no reason to argue with him.

INSURANCE BASE RATES

† Atlantic Assurance	12 %
Cannon Assurance	10 %

† Address shown under Insurance and Property Bond table.

Businessman's Diary

U.K. TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	BSI/Des. Council: "Living Standards" (cl. Oct. 9)	Design Centre, S.W.1
Current	Chelsea Antiques Fair (cl. Sept. 25)	Old Town Hall
Current	International Fisheries Exhibition (cl. Sept. 21)	Aberdeen
Current	Northern Antiques Dealers' Fair (cl. Sept. 23)	Harrogate
Current	Self-Service Display Equip.—SHOPEX (cl. Sept. 22)	Metropole Centre, Brighton
Current	Northern Packaging Exhibition (cl. Sept. 23)	Harrogate Exbn. Centre
To-day	Int. Broadcasting Convention (cl. Sept. 24)	Grosvenor House, W.1
Sept. 21—23	Electronic Instrument Exhibition	Bloomsbury Centre Htl., W.C.1
Sept. 21—24	British Premiums Show	Wembley
Sept. 22—Oct. 2	Int. Machine Tool Exhibition	Nat. Exbn. Centre, B'ham
Sept. 23—25	Nat. Forest Machinery Demonstration	Longleat
Sept. 24—Oct. 2	Commercial Motor Show	Earls Court
Sept. 27—30	Autumn Floorcoverings Fair	Metropole Centre, Brighton
Sept. 27—Oct. 1	Int. Plant Engineering and Maintenance Exhibition	Nat. Exbn. Centre, B'ham
Sept. 27—Oct. 1	American Packaging Equipment Systems Exbn.	U.S. Trade Center, W.1
Sept. 28—29	EIA Engineering Exhibition	Bournemouth
Sept. 28—30	Mailing Efficiency Exhibition	B'oomsbury Centre Htl., W.C.1
Sept. 28—Oct. 2	Subcontracting Industries Exhibition	Nat. Exbn. Centre, B'ham
Oct. 3—6	London International Footwear Fair	Olympia
Oct. 3—23	International Exhibition and Marketing Seminar	World Trade Centre, E.1
Oct. 4—7	World Offshore Exhibition	Olympia
Oct. 5—8	SPECIBUILD Exposition	Olympia
Oct. 14—30	Birmingham Ideal Home Exhibition	Nat. Exbn. Centre, B'ham
Oct. 18—20	Electronics Exhibition	U.S. Trade Center, W.1
Oct. 18—23	Kensington Antiques Fair	Kensington Town Hall
Oct. 19—23	Furnaces, Heat Treatment and Fuel Economy Exbn.	Nat. Exbn. Centre, B'ham
Oct. 20—30	International Motor Show	Earls Court
Oct. 23—31	International Ski Show	Olympia

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	National Fair (Swiss Comptoir) (cl. Sept. 26)	Lausanne
Current	International Ghent Fair (cl. Sept. 26)	Ghent
Current	Int. Bicycle and Motor Cycle Exbn. (cl. Sept. 22)	Cologne
Current	Italian Furniture Fair (cl. Sept. 23)	Milan
Current	German Industries Exhibition (cl. Sept. 26)	Berlin
To-day	Jerusalem Fashion Week (cl. Sept. 24)	Jerusalem
Sept. 21—24	Offshore North Sea Exhibition	Stavanger
Sept. 21—25	International Oil Pollution Exhibition and Conf.	Hamburg
Sept. 23—29	Video '76	Cannes
Sept. 23—Oct. 1	SICOB: Office Equipment Exhibition	Paris
Sept. 27—Oct. 1	Ocean Development Exhibition	Tokyo
Oct. 1—21	International Trade Fair	Baghdad
Oct. 2—6	International Furniture Exhibition	Lyons
Oct. 5—8	Gastech LNG/LPG Technology Equip. Ex. and Conf.	New York
Oct. 7—17	International Motor Exhibition	Paris
Oct. 15—25	International Trade Fair	Bucharest
Oct. 15—25	International Boat Show	Genoa
Oct. 19—23	International Electronics Exhibition	Budapest
Oct. 19—Nov. 1	Fourth International Trade Fair	Tehran
Oct. 21—27	International Technical Fair	Stockholm

BUSINESS AND MANAGEMENT CONFERENCES

Sept. 21	Inst. Grocery Dist. Management Seminar	Bloomsbury Centre Htl., W.C.1
Sept. 21—23	Concrete Soc.: European Economic Concrete '76	Univ. College, Cardiff
Sept. 21—23	BACIE annual conference	Notts. University
Sept. 21—23	Offshore Centre: Business Development	Aberdeen University
Sept. 23	Legal Studies: Commercial Tenancies	Royal Lancaster Hotel, W.2
Sept. 27	Chrtd. Inst. of Pub. Fin.: The Community Land Act	Queen's Hotel, Leeds
Sept. 27—29	G. K. Tutorial Services: Exchange Control	Waldorf Hotel, W.C.2
Sept. 27—30	Env. Health Officers' Assn. Congress	Harrogate
Sept. 27—Oct. 1	Bradford Univ.: Ind. Relations Negotiation	Heaton Mount, Bradford
Sept. 27—Oct. 1	Roffey Park: Practice of Negotiation	Horsham, Sussex
Sept. 28	IBA: Exec. Remuneration and Fringe Benefits	Royal Garden Hotel, W.8
Sept. 28—30	Method Dev.: Work Study Appreciation	10, Woodhouse Sq., Leeds
Sept. 28—Oct. 1	Inst. of Petroleum annual conference	Eastbourne
Sept. 30	Inst. of Work Study: EEC Transport Legislation	Royal Gdn. Hotel, W.8
Sept. 30—Oct. 1	Financial Times, The Banker, Investment House Assn. of the Philippines, Investors Chronicle and Malaysian Airlines System: Business in the Pacific Basin	Manila
Sept. 30—Oct. 2	MCE: International Cash Management	Oslo
Oct. 3—8	W. D. Scott: Effective Office Management	Swindon
Oct. 5—6	Euro. Study Conference: The Finance Act 1976	Portman Hotel, W.1
Oct. 6	Turret: Techniques of Building Rehabilitation	Mayfair Hotel, W.1
Oct. 7	Arabian Mark.: Selling to the Magreb and Libya	Cafe Royal, W.1
Oct. 7	British Printing Fed.: Print Marketing at Work	Royal Lancaster Hotel, W.2
Oct. 8	Oyez: Water and the Industrial User	Inn on the Park, W.1
Oct. 8	ESC: EEC Trade Mark Draft Regulation	Royal Garden Hotel, W.8
Oct. 11—Nov. 5	H. Mitchell: Work Study Course	Beeston, Notts.
Oct. 12	Henley Centre: Cost and Price Inflation to 1981	Carlton Tower Hotel, W.1
Oct. 12—14	Financial Times, Qantas, Australian Financial Review: Australia in the World Economy	Wentworth Hotel, Sydney
Oct. 18—22	P-E Cons. Group: Maintenance Management	Training Centre, Egham
Oct. 18—22	Kepner-Tregoe: Decision Making for Senior Man.	Royal Bath Htl., Bournemouth
Oct. 19—20	Financial Times, Ministry of Works, Power and Water, Bahrain, Gulf Air: World Construction—Prospects in the Arab Countries	Bahrain

هكذا من الأصل

OVERSEAS MARKETS

EUROBONDS

Equity-linked bonds catch limelight

BY MARY CAMPBELL

AS LAST week progressed, interest in the U.S. dollar sector was increasingly focused on equity or equity linked bonds. The major announcement of the week was Crédit Suisse's long-heralded $100m. convertible. But Japanese companies have also continued active with the announcement of two further equity issues to follow Friday's closing of Taisho Marine and Fire Insurance Company.

The terms of the Crédit Suisse issue were clearly influenced by the current quotes for the issue Union Bank of Switzerland (UBS) launched earlier this year. The coupon has been indicated at 4½ per cent. Crédit Suisse is offering a fifteen year maturity, however as against *UBS's five years.*

An issue price of par and a conversion premium of between 5 and 10 per cent. are expected.

Partly no doubt because the UBS issue went to such a big premium in the after market and has continued to be quoted above par ever since, demand for the Crédit Suisse issue is high.

The final terms of the Taisho Marine and Fire Insurance included an offering price of $9.52 per depositary share. At an exchange rate of Yen 285.71 to the dollar, this represented a discount of 6.85 per cent. from the Yen 292 closing price of the *shares on Friday.*

The two new issues which have been announced are approximately $20m. worth of TDK Electronics via Nomura and an issue by Pioneer Electronic of 2m. American depository receipts.

Approval for the latter issue has only just been given and it is not expected in the immediate future.

In general, the U.S. dollar sector of the Eurobond market recovered considerably towards the end of last week, not least because of new issue announcements in the straight sector were restricted to Vancouver's $15m. —a tiny amount by current market standards. By the time subscriptions to Australia's $300m. issue closed on Friday *night Vancouver was the only* straight dollar issue outstanding in the market.

Among recent issues, Denmark had made up some ground by Friday to be quoted between 97 and 98. Macmillan Berlitz, priced at 99½ on the 9 per cent. coupon, was holding up better than had been expected at one stage—it was quoted on Friday between 98 and 99.

The feeling about the Australian issue, due to be priced today, was that the shorter tranches had been much better received than the fifteen-year tranche and that the shortage of new issue announcements has helped the issue through the offering period. Few expected Deutsche Bank to shift from the indicated pricing of par on the two shorter tranches and 99½ on the fifteen-year bonds.

The Vancouver issue is in two tranches. One of $5m. for five years offers an indicated 8¾ per cent. and the other of $10m. for 12 years an indicated 8¾ per cent. Credit Commercial de France is lead manager.

Can$60m. for General Motors

The Canadian dollar market reopened over the weekend with a Can.$60m. two-tranche issue *for General Motors Acceptance* Corporation. Half the issue offers an indicated 9 per cent. for a five year bullet maturity and the other half an indicated 9¾ per cent. for a final maturity of 12 years and average life of 9.9 years. Lead manager is Morgan Stanley International.

In the D-mark sector Nippon Telephone and Telegraph has launched a DM100m. issue via Deutsche Bank. The indicated coupon is 7¾ per cent. at par and the maturity seven years. On offer in the guilder market is a Fls.50m. five-year issue for Akzo with a coupon of 10 per cent. and an issue price of 99½.

● The World Bank has produced a composite list of publicized Eurocurrency credits through the years 1973-75. The sum of international bonds and Eurocurrency credits arranged during the three year period is put at $114.3bn. Of this total, Industrial countries are shown as accounting for $60.7bn., developing countries for $33.7bn., Socialist countries and organisations for $4.7bn. and International organizations for $14.0bn. Among the *developing countries the oil exporters are said to have borrowed* $7.0bn. and others $26.7bn.

Vietnam aid

Japan and Vietnam have signed an agreement on Y5bn. ($16.7m.) in Japanese aid for the economic reconstruction and development of Vietnam. The aid is to be used by Vietnam to purchase equipment and materials from Japan for the construction of a cement factory. Last November, Japan agreed to provide North Vietnam with Y8.5bn. ($28.3m.), which was used to buy trucks and medical supplies.

Informed sources said the two grants, totalling Y13.5bn., are in place of reparations by Japan for World War II damage suffered by Vietnam.

Indices

NEW YORK—DOW JONES

	Sept. 17	Sept. 16	Sept. 15	Sept. 14	Sept. 13	Sept. 10	1976 High	1976 Low	Since compilation High	Since compilation Low
Industrial	995.10	987.86	978.51	978.64	985.29	986.58	1011.21 (12/7)	858.71 (2/1)	1051.70 (11/1/73)	41.22 (8/7/32)
HomeB'nds*	89.21	89.08	89.15	89.07	88.90	88.84	89.21 (17/9)	85.68 (14/7)	—	—
Transport	219.77	217.71	217.42	217.16	218.12	218.75	231.47 (14/7)	175.69 (2/1)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	87.56	86.92	85.86	85.99	86.62	86.15	87.56 (17/9)	84.8 (26/5)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's	28,270	19,520	17,570	15,550	16,100	16,850	—	—	—	—

* Basis of index changed from July 1.

	Sept. 10	Sept. 3	Aug. 27	Year ago (approx.)
Ind. div. yield %	3.87	3.88	3.97	4.61

STANDARDS AND POORS

	Sept. 17	Sept. 16	Sept. 15	Sept. 14	Sept. 13	Sept. 10	1976 High	1976 Low	Since compilation High	Since compilation Low
*Industrials	118.65	118.27	116.71	116.66	116.72	117.17	119.85 (1/9)	101.64 (2/1)	134.64 (11/1/73)	3.52 (30/6/32)
†Composite	105.81	105.58	104.21	103.94	104.29	104.65	105.81 (1/9)	90.90 (2/1)	120.24 (11/1/73)	4.40 (1/6/32)

	Sept. 15	Sept. 8	Sept. 1	Year ago (approx.)
Ind. div. yield %	3.49	3.46	3.49	[illegible]
Ind. P/E Ratio	11.82	11.90	11.80	11.13
Long Govt. Bond yield	5.22	5.25	5.29	5.73

N.Y. S.E. ALL COMMON

Sept. 17	Sept. 16	Sept. 15	Sept. 14	1976 High	1976 Low
56.69	56.21	55.67	55.64	56.69 (17/9/76)	57.06 (2/1/75)

Rises and Falls	Sept. 17
Issues Traded—1,906	Up—1,086
Down—403	Same—417
New Highs 157	New Lows 8

		Sept. 17	Sept. 16	Sept. 15	Sept. 14	1976 High	1976 Low
MONTREAL	Industrial	189.52	188.33	188.18	188.24	207.33 (19/6)	176.62 (2/1)
	Combined	189.11	188.03	187.46	187.59	199.78 (20/5)	175.67 (2/1)
TORONTO	Industrial	188.86	187.46	186.78	186.82	197.45 (20/2)	175.81 (2/1)
JOHANNESBURG	Gold	149.8	146.7	140.0	138.7	226.7 (12/3)	115.3 (25/8)
	Industrials	182.7	183.2	182.2	185.2	215.9 (21/5)	177.1 (30/8)

	Sept. 17	Pre-vious	1976 High	1976 Low
Australia (a)	468.57	489.40	502.65 (19/8)	445.32 (5.1)
Belgium (b)	93.12	92.54	115.12 (5/2)	92.54 (16.9)
Denmark (d)	109.06	107.96	117.70 (19/8)	100.20 (10.5)
France (e)	81.7	82.1	74.5 (5/5)	60.8 (12.8)
Germany (f)	734.8	738.5	821.7 (17/5)	727.6 (9/8)
Holland (g)	86.7	86.9	103.3 (6/2)	84.5 (27.8)
Hongkong (h)	430.16	416.17	465.55 (13/5)	394.53 (2.1)
Italy (k)	78.04	77.96	91.37 (23/2)	72.30 (4.6)
Japan§ (m)	355.08	362.32	369.61 (1/9)	362.90 (14/9)
Singapore (n)	279.01	275.13	285.16 (5/2)	256.56 (2.1)
Spain (p)	81.68	81.23	108.79 (7/5)	78.42 (9/9)
Sweden (q)	427.96	423.66	476.98 (10/6)	393.36 (19.1)
Switz'rl'd (r)	274.7	271.1	298.6 (12/5)	269.7 (15/9)

Indices and base dates (all base values 100 except NYSE All Common—50, and Standards and Poors 10): (a) Sydney All Ord. (b) Belgian SE 31-12/63. (d) Copenhagen SE 1-1/73. (e) Paris Bourse 1961. (f) Commerzbank December, 1953. (g) Amsterdam Industrial 1970. (h) Hang Seng Bank 31-7/64. (k) Milan 2/1/73. (m) Tokyo New SE 4/1/68. (n) Straits Times 1966. (p) Madrid SE 31/12/74. (q) Stockholm Industrials 1-1-58. (r) Swiss Bank Corp 31/12/58. (u) Unavailable. § Excluding bonds. * 400 Industrials. † 400 Inds., 40 Utilities, 40 Finance and 20 Transport. (e) Closed.

AUSTRALIAN WEEKLY LIST

TEL AVIV STOCK EXCHANGE

Source: Bank Leumi Le Israel, Tel Aviv.

HONG KONG

Jardine Matheson	19.50	19.60
Jardine Secs	7.75	7.80
Kulcher	1.80	
Sime Darby	7.55	7.00
Southn. Pac. Prop.	0.69	0.745
Southern Textile	29.80	—
Swire Pacific A	10.50	10.40
Textile Alliance	6.00	—
Textile Corp of Hong Kong	—	—
Wheelock Marden	2.40	2.325
Wheelock Maritime	3.60	—
Winsor Industrial	2.20	[illegible]
Wyndham	—	6.90

* Buyer ‡ Seller.

CORAL INDEX
Close 331-336

I.G. GOLD 01-351 3466
Gold 117-120

JOHANNESBURG

AUSTRALIA

VON ROLL SEES IMPROVEMENT

By John Wicks

ZURICH, Sept. 19.

The Swiss engineering concern Von Roll expects to return to profits in 1978, according to the recently-appointed managing director Mr. John Wohnlich. The group, whose turnover dropped sharply from Sw.Fr.890m. to Sw.Fr.694m. in 1975, expects a further "substantial" loss for the current year however.

In 1977 the company anticipates a positive cash-flow—in 1975 negative cash-flow was of an unconsolidated Sw.Fr.13m.—and in the following year an actual net profit.

The company, which recently announced a reduction of its work force by 350, now definitely intends to close down its rolling mill in Gerlafingen for medium and fine profiles by the end of the year production of cold-rolled sections having been passed on to the French group Profilafroid in exchange for a participation in the latter company's Swiss sales subsidiary Profilform.

SINGAPORE STOCKS

CANADIAN WEEKLY LIST

OVERSEAS SHARE INFORMATION

NEW YORK

Investment premium based on $2.60 per £—111¼% (110½%).

CANADA

GERMANY ♦

PARIS

AMSTERDAM

MILAN

SWITZERLAND*

OSLO

STOCKHOLM

COPENHAGEN

BRUSSELS/LUXEMBOURG

SPAIN ♥

TOKYO†

VIENNA

AUTHORISED UNIT TRUSTS

REGIONAL MARKETS

BASE LENDING RATES

llied Irish Banks Ltd.	12 %	C. Hoare & Co.	†12 %
merican Express Bank	12 %	Julian S. Hodge	13 %
nglo-Portuguese Bank	12 %	Hongkong & Shanghai	12 %
enry Ansbacher	12½%	Industrial Bank of Scot.	10½%
anco de Bilbao	12 %	Keyser Ullmann	12½%
ank of Cyprus	12½%	Knowsley & Co. Ltd.	13½%
ank of N.S.W.	12 %	Lloyds Bank	12 %
anque du Rhone S.A.	12½%	London & European	12½%
arclays Bank	12 %	London Mercantile	12½%
arnett Christie Ltd.	12 %	Midland Bank	12 %
remar Holdings Ltd.	12 %	■ Samuel Montagu	12 %
rit. Bank of Mid. East	12 %	■ Morgan Grenfell	12 %
rown Shipley	12½%	National Westminster	12 %
anada Permanent AFI	12 %	Northern Comm. Trust	12½%
apitol C & C Fin. Ltd.	13 %	Norwich General Trust	12½%
ayzer, Bowater Co. Ltd.	12 %	P. S. Refson & Co.	12 %
edar Holdings	12½%	Rossminster Accept'ces.	12 %
harterhouse Japhet	12½%	Schlesinger Limited	12½%
. E. Coates	13 %	E. S. Schwab	13½%
onsolidated Credits	11 %	Security Trust Co. Ltd.	13 %
o-operative Bank	*12 %	Shenley Trust	14 %
orinthian Securities	12 %	Standard Chartered	12 %
redit Lyonnais	12 %	Trade Development Bk.	12 %
. R. Dawes	11½%	Twentieth Century Bk.	13½%
uncan Lawrie	12 %	United Bank of Kuwait	12 %
agil Trust	12 %	Whiteaway Laidlaw	12½%
nglish Transcont.	12½%	Williams & Glyn's	12 %
irst London Secs.	12 %	Yorkshire Bank	12 %
ntony Gibbs	12 %		
oode Durrant Trust	11 %		
reyhound Guaranty	12 %		
rindlays Bank	‡12 %		
uinness Mahon	12 %		
ambros Bank	12 %		
ill Samuel	§12 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8½%, 1-month deposits 8¾%.
† 7-day deposits on sums of £10,000 and under 8½%, up to £25,000 9%, and over £25,000 9¼%.
‡ Demand deposits 8½%.
§ Call deposits over £1,000 8½%.

INSURANCE, PROPERTY, BONDS

OFFSHORE AND OVERSEAS FUNDS

FINANCIAL TIMES STOCK INDICES

—	Sept. 17	Sept. 16	Sept. 15	Sept. 14	Sept. 13	Sept. 10	A Year ago
overnment Secs.	59.63	59.87	60.03	60.[illegible]	60.17	60.39	61.23
xed Interest	59.56	59.61	59.78	59.68	59.68	60.50	61.03
ndustrial Ordinary	334.5	335.5	335.9	341.4	338.7	343.4	341.6
old Mines	114.5	111.4	109.5	105.7	110.5	115.1	260.6
rd. Div. Yield	6.72	6.66	6.66	6.56	6.60	6.52	6.05
arnings Y'ld%(full)(a)	19.80	19.71	19.72	19.42	19.55	19.30	16.84
/E Ratio (net) (b)	7.46	7.49	7.49	7.60	7.55	7.65	8.43
ealings marked	4,227	4,601	4,287	4,034	4,770	4,137	6,148
quity turnover £m.	—	46.57	41.82	36.13	41.69	45.14	93.10
quity bargains total	—	10,550	9,972	9,240	9,094	9,220	19,284

10 a.m. 337.5. 11 a.m. 336.1. Noon 336.0. 1 p.m. 333.9. 2 p.m. 333.9. 3 p.m. 334.1.
Latest Index 01-246 8026.
(a) Based on 52 per cent. corporation tax. (b) Nil=7.40.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

—	1976 High	1976 Low	Since Compilation High	Since Compilation Low
ovt. Secs.	65.21 (5/1)	59.63 (17/9)	127.4 (9/1/35)	49.18 (3/1/75)
ixed Int.	64.43 (2/3)	59.56 (17/9)	150.4 (28/11/47)	50.53 (3/1/75)
nd. Ord.	420.8 (4/5)	334.5 (17/9)	543.6 (19/5/72)	49.4 (26/6/40)
old Mines	246.9 (2/1)	78.8 (5/2)	442.3 (22/5/75)	42.5 (26/10/71)

S.E. ACTIVITY

—	Sept. 17	Sept. 16
Daily—		
Gilt-Edged	151.4	130.9
Industrials	131.5	129.5
Speculative	43.9	40.9
Totals	96.2	91.1
5-day Av'r'ge.		
Gilt-Edged	163.7	164.9
Industrials	133.7	135.8
Speculative	38.0	37.0
Totals	97.0	96.6

FT—ACTUARIES INDICES

	Sept. 17	Sept. 16	Sept. 15	Sept. 14	Sept. 13	Sept. 10	A year ago
ndustrial Group	131.82	131.35	132.50	133.46	133.67	136.78	136.71
00 Shares	148.62	147.61	148.22	149.11	149.57	152.72	151.22
iv. Yield %	6.89	6.93	6.90	6.86	6.84	6.69	6.01
/E Ratio (net)	8.40	8.37	8.41	8.45	8.48	8.66	8.53
0 Shares	139.06	138.27	138.76	139.86	140.17	143.12	146.94
edemption Yield %	14.71	14.60	14.59	14.48	14.48	14.46	14.10

Press investment may be held back 'for years'

BY JAMES McDONALD

PROFITS IN the printing industry varied amazingly, says a report which claims to provide an objective account of the views of more than 200 of the world's principal publishers, printers and equipment manufacturers.

"In some areas, such as the printing of periodicals, competition is so fierce that it is almost always possible for a publisher to find someone willing to print at a lower price, says the report, commissioned by Comprint International, the publishing and printing conference, which starts in Amsterdam on October 11.

"There are fears that this will lead to printers holding back on investment in new presses for some years, which in turn will lead, perhaps in the early 1980s, to a situation where there will will be insufficient press capacity to handle the publishers' volume of work."

The report, written by W. P. Jaspert and Jean Otto Frey—says that the book and magazine markets are gradually being controlled by fewer printers.

"Already a situation can be seen emerging, in the U.S. in particular, in which a mere handful of large printing groups handle a major share of book, magazine and directory printing.

"This trend is also accelerating in Europe and Japan, largely because the cost of capital investment required to-day to stay competitive in high-volume production prevents all but the large organisations from staying in the same mass production race."

Newspapers had embraced "novelty" over-enthusiastically. It had taken them some time to realise that not everything new was also efficient and financially sound.

Welsh TV transmitter

THE Independent Broadcasting Authority's new ultra high-frequency television relay station at Ffestiniog, Gwynedd, North Wales, is expected to being transmitting next Friday, carrying the programmes of HTV Wales on channel 25.

It should provide 625-line black-and-white and colour reception for about 5,700 people in and round Ffestiniog, the area round Llyn Trawsfynydd, including Trawsfynydd and Craig Gyfynys, and an area to the north of Ffestiniog, including Tanygrisiau and Blaenau Ffestiniog.

Five U.S. airlines top survey

SWISSAIR has published lists of the world's 25 biggest airlines by passenger and freight volume, passenger-kilometres, fleet size and labour force. In terms of passengers, the first five are all U.S. airlines, with United at the top with a 1975 total of 29.92m. passengers, followed by Eastern with 27.68m., Delta with 26.53m., American with 21.17m. and TWA with 16.27m.

The major non-U.S. airlines by passenger volume, says Swissair, are Nippon with 13.85m., British Airways with 13.63m. and Air Canada with 10.29m.

United and Eastern airlines are also the top two world airlines by fleet size, with 375 and 239 aircraft respectively, followed by American (232), TWA (231) and Delta (182). British Airways and Air Canada lead the non-U.S. carriers with 166 and 122 aircraft respectively.

In the air freight field the ranking is different, with Pan American heading the list in front of Flying Tiger, Lufthansa and JAL, with United in fifth and British Airways in eighth position.

In terms of number of employees, however, British Airways tops the list with 52,102, before United's 46,609 and the 35,014 of American Airways.

Orbiter spacecraft makes its debut

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE FIRST craft in what will be America's next major manned spaceflight programme — the Space Shuttle — was rolled-out on Friday from the Palmdale, California, factory of Rockwell International, which designed and built it for the U.S. National Aeronautics and Space Administration (NASA).

The craft, called an *Orbiter*, is a re-usable manned space transport vehicle capable of frequent missions into near-earth orbit. It is a major step forward in space technology, aimed at initially supplementing and eventually displacing the conventional system of launching by rocket individual payloads, such as satellites.

The Space Shuttle involves a programme costing $6.9bn. over the next few years, designed to provide a re-usable space transport system for a variety of tasks in near-earth orbit. These will include launching and retrieving satellites and their repair while in orbit, direct studies of the earth from orbit, and studies of the near-earth environment and outer space. The main aim, however, will be to cut the cost of putting material into near-earth orbit, principally satellites for both communications and "applications technology" purposes.

At present, these satellites have to be launched individually aboard rockets, at a cost of several millions of dollars a time. The Space Shuttle, although itself expensive to develop, will eventually bring down this satellite launching cost sharply because it will be available for a large number of missions.

Basically, the Space Shuttle system will consist of an Orbiter vehicle and two rocket Boosters which will put it into near-earth orbit. The Orbiter will be capable of carrying the various payloads, such as satellites or "manned workshops," of which one, the Spacelab is being built in Europe by the European Space Agency.

The objective is that the Orbiter will be launched from a specially-built complex at Cape Kennedy, Florida, with the *Booster rockets falling into the* sea after their task is completed, for recovery and refurbishing for later use. The Orbiter, with its crew still aboard, will return to earth after completing its mission in space (lasting anything up to 30 days), to land like an aeroplane on a big runway built at Cape Kennedy. It will then re-unite with the Booster for its next mission. The number of missions to be flown each year will depend upon the number of satellites requiring launch, the other orbital space tasks lined up, and the duration of individual missions, but each Orbiter vehicle will probably be capable of making several flights a year.

The idea is that eventually there will be several Orbiter vehicles, although initially the programme calls for two. The first of these is the one rolled-*out at Palmdale on Friday*, which will be used for approach and landing tests. A second one being built will be the first launched into near-earth orbit during 1979 and 1980 to test the system. The full-scale Space Shuttle system will become available in the early 1980s, when demand should have shown whether more "flight vehicles" will be needed.

The Spacelab now being developed by the European Space *Agency will be able to fit into* the Orbiter's cargo bay, and will be used by small teams of scientists to work in space in shirt-sleeve comfort.

Danes take management title

BY MICHAEL DIXON

DUBLIN, Sept. 19.

THE EUROPEAN MANAGEMENT championship was won this weekend by Denmark for the third time in succession.

The computer-based contest, an annual event for the winners of national management games played in Europe, was sponsored by Aer Lingus, ICL and the magazine *Business Finance*.

The four-man Danish team from the Copenhagen Handelsbank was challenged hardest by West Germany, represented by a quartet from the 4p packaging concern, part of Unilever.

The Irish champions, six men from the Cement company, stayed in contention throughout and were unlucky to finish in third place.

Rank Xerox, the British national champions, were never really in with a chance. At the start the British trio risked their "paper" consumer-durable company's fortunes on there being a large surplus of demand in the market. This failed to materialise, and their competitors never let them recover.

At one time the British had built up as much stock in their warehouse as the "factories" of all the other teams put together, and working flat out, could produce.

Presenting the prizes, holidays with unlimited hire-car mileage, furnished by Aer Lingus, Mr. Ritchie Ryan, Finance Minister of the Irish Republic, said that about 10,000 people had taken part in the various national management championships in Europe this year.

The next annual European contest will be at a management school near Bonn, West Germany.

Davy Ashmore plant inaugurated

A STEELWORKS contract worth nearly £70m. has been completed at Monclova, in Mexico, by Davy Ashmore International of Stockton.

The plant was inaugurated at the week-end by President Luis Echeverria of Mexico. It was one of the biggest single steelworks contracts placed with a British engineering company, and the largest industrial order placed by Mexico. The project was completed in 29 months. Most of the units have recently been commissioned and gone into production. More than 40,000 tons of specially designed plant, equipment and steelwork from Britain went into the plant.

When in full production the plant will produce 750,000 tons of steel a year.

Coal Board to spend £1.3m. on Hopton pit

A FURTHER £300,000 is to be spent by the National Coal Board to speed up plans for a £80m. "super pit" at Hopton, near Stafford.

The pit is expected to produce 2m. tons of coal a year and spending on it has reached £1.3m. *Bore holes and seismic* exploration has accounted for £1m. of the total. The Coal Board has yet to apply to Staffordshire County Council for planning permission.

Mr. Ray Hunter, the NCB Western area director, said: "This extra expenditure will enable us to look even more closely at all aspects of the development. *We are convinced the* Hopton site provides the best surface location."

Eventually it is hoped that the mine will provide 100m. tons of coal from nine seams over a 10 square mile area and that 1,400 people will be provided with jobs.

Health staff shortages raise snags

By James McDonald

A SERIOUS SHORTAGE in the number of health visitors and home nurses has been disclosed in official figures. These deficiencies must put into question the adequacy of the 6 per cent. *growth rate for these staff* advocated by the Government, the National and Local Government Officers' Association says to-day.

Criticising the Government paper *Priorities for Health and Personal Social Services in England and Wales*, NALGO says that Department of Health standards "there is a shortage in England and Wales of 9,346 health visitors and 7,996 home nurses (at September 30, 1974) against required establishment *strengths of 16,398 and 19,678* respectively — deficiencies of about 50 and 40 per cent."

In Scotland the position is less clear, but NALGO claims that there is a shortage of at least 854 staff. "The total staffing establishment should be 3,817."

The union will express concern over the staff shortage at the next meeting of the Nurses' and Midwives' Staff Whitley Council on September 28, when there will be a general discussion on nursing establishments.

Newspaper puts 1p on price

THE price of the Derby Evening Telegraph will to-day go up from 5p to 6p because of rising costs, especially newsprint.

GUY HAWTIN REPORTS ON THE FRANKFURT BOOK FAIR

Junket that few publishers want

THE ONE thing that one can say with certainty about the Frankfurt Book Fair is that it is big—so big that it evokes half-remembered jokes about Texas.

This, the book trade's biggest junket *of the year*, is housed in about 54,000 square metres of faithfully imitated American military architecture in the fair ground near the city centre.

For the West Germans it is a major cultural event. By the time that the final turnstile halts on Tuesday about 300,000 people will have passed through the gates.

Most of them will be members of the public and about 40,000 closely associated with the book trade, including 3,000 journalists covering the event.

The number of titles on display even dwarfs the admission figures. The well-over 4,000 exhibitors are showing a total of 278,000 titles—nearly one and a half books for each visitor—and furthermore, about 77 per cent. of those who have rented stands come from abroad.

The book fair provides an annual bonanza for Frankfurt's hoteliers and restaurateurs. It is said to attract even more business to the town than the twice-yearly general industrial fairs and the annual motor show.

Hotels are packed to overflowing and woe betide those who lacked the *foresight to book in* advance. Restaurants do a roaring business and the ordinary Frankfurters normally resign themselves to eating at home for the duration.

West German publishers use the Fair as the year's most important promotional effort. It provides a chance to push their latest titles and the opportunity tto meet the reading public face tto face.

Crusade

More idealistically, perhaps, the Fair's organisers believe that, in part, it represents a crusade to encourage reading in a television age.

However, the foreign exhibitors tend to see Frankfurt in a different light. Those from the West have traditionally used it *as a meeting place. It is a* market where rights are bought and sold—a shop window where they can find out what their competitors are up to.

As such, Frankfurt suffers an increasing clash of interests. The flocks of visitors, so vital to the West German publishers' domestic business, are nothing more than a nuisance to most of the *foreigners.*

While exhibitors from the Communist world use the Fair as much for propaganda as real business, the Westerners come only for the commerce.

It would be unfair to say that there is anything new in the problem, but it has been made considerably worse by the growing popularity of the event with the West German public. This year attendance figures are about 17.6 per cent. up on the previous year's total of 170,000.

"Things were easier in former *years," said a British publisher.* "This year there seem to have been far more people and it is very difficult to tell whether a person browsing round one's stand is a potential customer or an English teacher from Essen."

Frankfurt, *it seem, is an experience that* most British and American publishers would rather forgoe, from the economic *standpoint at least.* Few, however, have the courage to pull out. Jonathan Cape bravely dropped it from the calendar last year, but is back again this year.

Another British publisher said: "The trouble with Frankfurt is that if you do not attend, people think that something drastic has happened; that you have gone bankrupt or something.

"*If one is honest*, I do not think that one can quantify the *amount of business that the fair* generates. All right, many deals are concluded at Frankfurt, but *it is not really true to say that one finds a great many new titles* here.

"*Most* have been carted around by agents well before the fair. *One* has a pretty good idea of what one is going to find here and it is hard to say that one would not get the business or make the sale without the help of the Frankfurt Book Fair."

Adding to the disenchantment, perhaps, is the extraordinary expense of the event, particularly for the British. At DM106 (£24.40) per square metre, a stand is very costly *even* with British Government subsidies.

Added to this, living costs for staff *seem extortionately high in* British eyes. A *very modest hotel* frequently costs *DM60* (£13.80) a night, while plusher accommodation can easily set the visitor back *DM150* (£34.50). A snack meal in a pub can cost DM20 (£4.60).

The rising costs are reflected in the declining *size* of the stands. Both British and American publishers have been cutting their costs to suit their cloth.

McGraw Hill, the U.S. publisher, for instance, has trimmed the display space from the grandiose dimensions of just a few years ago to much more modest proportions.

But in spite of the moans, the British are out in force. They form the strongest overseas contingent *at the fair with* 402 individual stands and a further 77 participating in collective displays. As such, they far outweigh the U.S. presentation, which consists of 318 individual participants and 40 operating collectively.

Business this year is generally reported to be quiet. On the other hand it is always hard to find a publisher who admits to doing well, and, from observation, business appears to be brisk in a number of quarters, including children's books.

The pornographers, *mainly* West German, certainly seemed to be having a hey-day, but probably most of the crowds they attracted were just there to gape.

Judging from past performance, *it is fairly fruitless to estimate* the amount of business concluded before the event has been finally wound up and exhibitors have had time to take stock. Even then many deals are not wound up for many months after the fair has ended.

The recession, however, still appears to be leaving its mark on the industry, with publishers *still keeping a tight rein on their* lists. The auctioneering atmosphere of former years seems to be missing.

The celebrities, so much in evidence last year, appeared to be keeping the proverbial "low profile." German film star Curt Jurgens appeared to autograph *his memoirs* and Pele, the footballer, could be seen bouncing a ball.

This, however, *is* tame stuff compared with the apppearance a year ago of Muhamed Ali and Gina Lollobrigida.

Other fairs have opened up to challenge Frankfurt's position as monarch of the book shows. London has one, so do Barcelona, Leipzig and Jerusalem.

Important

The annual convention of the American Booksellers' Association is important in a North American context, but Montreal's—perhaps the most direct *challenge to Frankfurt's domination* of the American scene—did not produce this year the kind of success some people were seeking.

The exhibitors, many of whom cheerfully admit that they would rather not come here, seem at a loss to explain Frankfurt's dominance. Even the organisers appear unable to pro*vide an answer.*

One factor, of course, could be the fact that Frankfurt is the oldest of the Western book fairs. It started after the war in 1949, just a few weeks after the founding of the Federal Republic.

It is organised by an exhibition and Fairs Company owned by the Boersenvereins des *Deutschen Buchhandels. The* first post-war exhibition was attended by only 205 exhibitors and was in the St. Paul's Church, where the prizegiving takes place.

It passed the 1,000 exhibitor mark in 1955, the 2,000 point in 1962 and the 3,000 mark in 1968. Last year the total number of exhibitors was more than 4,000.

The sheer dimension of the fair causes "brutal" problems according to the organisers. First there is the conflict between *culture* and *commerce*. In the old days, it did not prove too much of a problem as the number of visitors were relatively small.

With to-day's multitudes, the organisers have attempted to resolve the problem by limiting the public's access to the afternoons. This, however, has not been entirely successful.

The exhibitors employ about 14,000 to man the stands and, if each one brought in only one extra person during the morning, the ensuing crowd would be formidable. Some at the fair bring in considerably more than one person.

While pointing out that the fair, quite properly, is a cultural event, the organisers do their best *to oil the wheels of commerce.* Interpreters, working in about ten main languages, are available for hire and conference *rooms are provided together with* a private restaurant for exhibitors.

It is recognised that the foreign exhibitors account for a good proportion of the turnover and the organisers claim that they do their best to cater for them.

A foreign exhibitors' committee handles the liaison with the *Boersenverein's Company* and is generally the medium through which complaints are handled.

This year it has been decided to close the fair to the public on Monday and Tuesday to allow the trade to get on with its job of buying and selling.

Success has also bred space problems. If the show grows much larger this year there will not be enough space for the *exhibitors in the present accommodation.*

However, the organisers believe that one way of solving the problem could be to use the Congress Hall—the setting for the opening ceremony—as exhibi*tion space. The ceremonies would* have to be held elsewhere, but this should not cause too great a difficulty.

Politics

Perhaps the most sensitive dilemma is that of politics. The organisers are adamantly opposed to censorship, while doing their best to keep the event non-political.

Police turn a blind eye to the *left-wing organisations* who set up stalls which sometimes sell books banned in the Federal Republic, but political demonstrations by any ideological group are firmly discouraged.

This year the problem has been particularly acute. The Federal elections are due on October 3 and without the ban on oral political pronouncements, the book fair would be a mecca for the West German parties.

As it is, the politicians can visit it, but are under strict orders to keep quiet.

The book fair, therefore, is the perfect refuge for those already wearied of the political wrangling. Unfortunately, no research is available to indicate whether this has boosted the attendance.

COMPANY NOTICES

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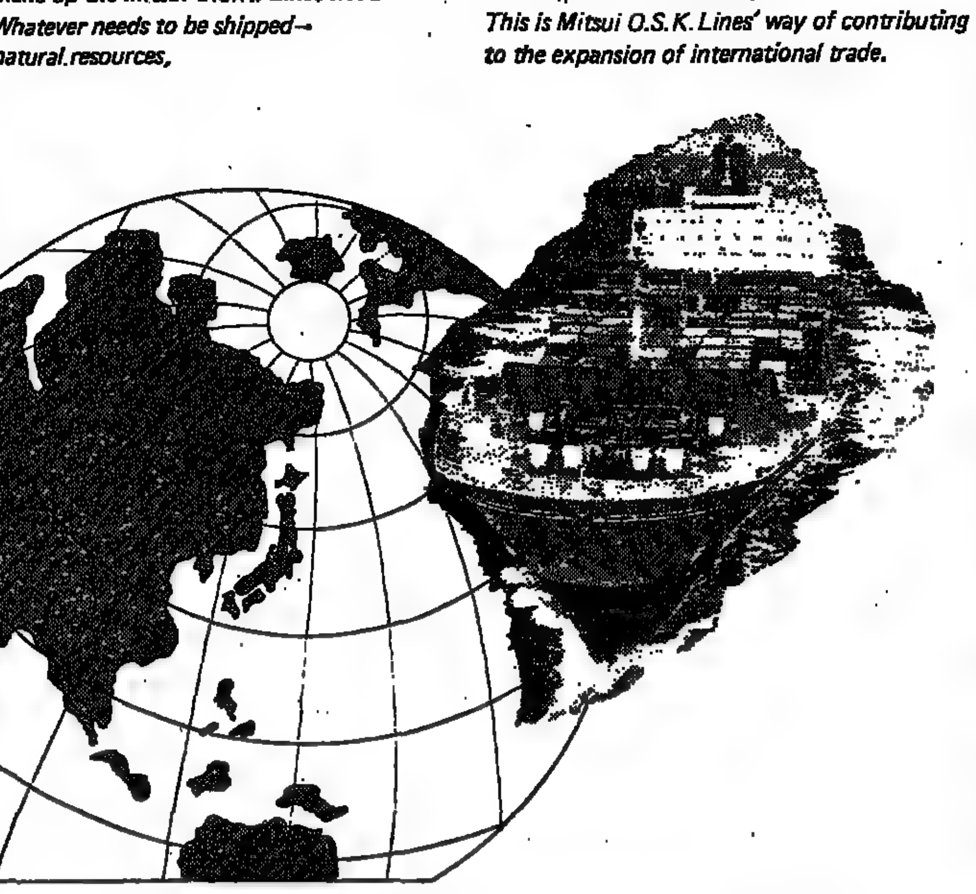

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WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's time-table.

TO-DAY

COMPANY MEETINGS—
Rothschild Investment Trust, New Court, St. Swithin's Lane, E.C. 11.30
Vibroplant, Leeds, 1

BOARD MEETINGS—
Finals:
Celtic Haven
Chambers and Fargus
Ega Holdings
Empress Services
F and C. Eurotrust
Goodman Bros. and Stockman
Interims:
Garton Cooper
Gibbs (Antony)
Johnson (C. H.)
Low and Bonar
Ozalid
Pataling Rubber Estates
Richards (Leicester)
Sheffield Twist Drill and Steel
Tricentrol
United Biscuits
Wadham Stringer

DIVIDEND & INTEREST PAYMENTS—
Astra Securities 0.42354p
Boldon 8¾pcBds. Red. 14.9.77 4⅜pc
Cameron (J. W.) and Co. Dbs. 2½ 3½ and 3¼pc
Comben 1p
Denbyware 3.306976p
Estates House Investment Trust 3p
Felling 8¾pcBds. Red. 14.9.77 4⅜pc
Grovebell 0.5p
Kwahu 1.5p
M and G Magnum Fund Income 2.2p
Ransom (William) 1.7269p
Vogelstruisbult Metal 1.9279p
Yorkshire Chemicals 2.1125p

TO-MORROW

COMPANY MEETINGS—
British Land, Mayfair Hotel, W., 12
Daelan, Connaught Rooms, W.C., 12
Hillards, Leeds, 12.30
Investment Co., New Malden, Surrey, 12
London and Gartmore Investment Trust, 2, St. Mary Axe, E.C., 3
Renwick, Paignton, 2.35
Scott (Laurence), Gt. Eastern Hotel, E.C., 12

BOARD MEETINGS—
Finals:
Consolidated Plantations
Haggas (J.)
Jentique
Scholes (George H.)
Interims:
BICC
Bandanga
Bank of Scotland
Bodycote International
Eagle Star Insurance
Finlay (James)
Hamilborne
Law Land
Leadenhall-Sterling Investments
Matthews (Bernard)
Metalrax
Pittard
Sale Tilney
Watts, Blake Bearne

DIVIDEND & INTEREST PAYMENTS—
Daelan Holdings 1.7875p
Greenwich 6¼pc Red. 76-86 3⅛pc
Rothschild Investment Trust 5.825p

WEDNESDAY, SEPTEMBER 22

COMPANY MEETINGS—
Boardman (K. O.) International, Manchester, 12
Firth (G. M.) (Metals), Bradford, 11.30
Hambro Trust, 41, Bishopsgate E.C. 11.15
LRC International, London Press Centre, New Street Square, E.C., 12
Property Security Investment Trust, Abercorn Rooms E.C., 12.15
Sena Sugar Estates, 684, Fulham Road, S.W., 12.30
United Dominions Trust, 14-20, St. Mary Axe, E.C., 12

BOARD MEETINGS—
Finals:
Francis (G. R.)
Maynards
Throgmorton Secured Growth Trust
Zetters
Interims:
Booker McConnell
Brixton Estate
Finlay Packaging
Laporte Industries
Rio Tinto-Zinc
Tehidy Minerals
Tilbury Contracting
Ward White
Whittingham (William)

DIVIDEND & INTEREST PAYMENTS—
Adams and Gibbon 0.675p
Agricultural Mortgage Corp. 14½pcBds. Red. 22/3/79 7¼pc
Bournemouth 11½pcBds. Red. 22.9.76 £5.7791
Cambridge 11½pcBds. Red. 22/9/76 £5.7791
Carlton Industries 3.094p
Dartford 6½pcBds. Red. 23.3/77 3¼pc
Investment Company 0.4775p
Massmutual Mortgage and Realty Investors 27 cts.
Nuneaton 6½pcBds. Red. 23.3/77 3¼pc
Teesside 6½pcBds. Red. 23/3/77 3¼pc

THURSDAY, SEPTEMBER 23

COMPANY MEETINGS—
Brotherhood (Peter), 21, Tothill Street, S.W., 12
Burt, Boulton, Connaught Rooms, W.C. 12
Crouch Group, Surbiton, 12
Edbro Holdings, Waldorf Hotel, W.C., 12
Gresham Investment Trust, Barrington House, Gresham Street, E.C., 12
Howard Tenens, 5, Belgrave Square, S.W., 11.15
Magnet and Southerns, Manchester, 12
Negretti and Zambra, Winchester House, E.C. 12
Norton (W. E.), Birmingham, 12
Phoenix Timber, Phoenix House, Manor Way, New Road, Rainham, Essex 12
Provincial Laundries, Great Northern Hotel, N., 11
Robb Caledon Shipbuilders, Dundee, 12.30
Scottish, English and European Textiles, Edinburgh, 12.30
Sunley (Bernard) Investment Trust Dorchester Hotel, W., 12.30
Western Board Mills, Cardiff, 12

BOARD MEETINGS—
Finals:
HTV
Rosehaugh Tea
Southern Kinta Consolidated
Interims:
Anglo-Swiss Holdings
Bowring (C. T.)
Bury and Masco
Delta Metal
Friedland Doggart
General and Commercial Invest. Trust
Harris and Sheldon
Home Counties Newspapers
Ibstock Johnsen
Owen Owen
Pearson Longman
Perry (Harold) Motors
Ransomes Sims and Jefferies
Scottish Agricultural Industries
Spear and Jackson International
Travis and Arnold
Vickers

DIVIDEND & INTEREST PAYMENTS—
Amalgamated Metal Corp. 5p
Dobson Park Inds. 0.725p
Essex Water Co. 3.5pc (fmly. 5pc) Cons. Ord. 1.75pc. Do. 3.5pc (fmly. 5pc) New Ord. 1.75pc
Goodrich (B. F.) 28 cts.
Gresham Investment Trust 1.04518p
Halliburton 14 cts.
Hambro Trust 1.048p
Heath (Samuel) and Sons 2.6015p
Lyons (J.) Ln. 3½pc
Midland Trust 1.895p
Serck Db. 5½pc

FRIDAY, SEPTEMBER 24

COMPANY MEETINGS—
A.A.H., Quaglino's, Bury Street, S.W., 12
Dyson (J. and J.), Sheffield, 12
Longton Transport Stoke-on-Trent, 3
Manordale, Leeds, 12
Pitman, 39-41, Parker Street, W.C., 11
Ratcliffe (F. S.) Bamford Rochdale, 12
Umitech, Abercorn Rooms, E.C., 12

BOARD MEETINGS—
Finals:
Ferry Pickering
Wearwell
Interims:
Allied Polymer
Bulgin (A. F.)
Hartle Machinery International
North British Canadian Investment
Sheffield Brick
Southampton Isle of Wight and South of England Royal Mail Steam Packet

DIVIDEND & INTEREST PAYMENTS—
Allied Breweries 1.1165p
Arfon 10¼pcBds. Red. 30/3/77 5⅛pc
BCA 0.56p
Banff and Buchan 10¼pcBds. Red. 30/3/77 5⅛pc
Basingstoke 10¼pcBds. Red. 30/3/77 5⅛pc
Beverley 10¼pcBds. Red. 30/3/77 5⅛pc
Blaby 10¼pcBds. Red. 30/3/77 5⅛pc
Boston 10¼pcBds. Red. 30/3/77 5⅛pc
Bournemouth 10¼pcBds. Red. 30/3/77 5⅛pc
Brotherhood (Peter) 4.0625p
Burt Boulton 5.2p
Camden 10¼pcBds. Red. 30/3/77 5⅛pc
Cavenham Ln. 4⅞pc. Lns. 5 and 5pc (Ptly Cnv.)
Central 10¼pcBds. Red. 30/3/77 5⅛pc
Cheltenham 10¼pcBds. Red. 30/3/77 5⅛pc
Chesebrough-Pond's Inc. 19 cts.
Clydebank 10¼pcBds. Red. 30/3/77 5⅛pc
Colmore Investments 0.715p
Corporation of London 10¼pcBds. Red. 30/3/77 5⅛pc
Dudley 10¼pc Bds. Red. 30/3/77 5⅛pc
Dunford and Elliot Dbs. 2½ and 3½pc. Lns 4¼ 4½ 4¾ 6 and 6¼pc
Eastleigh 10¼pcBds. Red. 30/3/77 5⅛pc
Etterick and Lauderdale 10¼pcBds. Red. 30/3/77 5⅛pc
Franklin Mint Corp. 17.5 cts.
Glamorgan 10¼pcBds. Red. 28/9/77 5⅛pc
Hampshire 10¼pcBds. Red. 30/3/77 5⅛pc
Hanson Trust Ln. 3¼pc
Hove 10¼pcBds Red. 30/3/77 5⅛pc
Intereuropean Prop Holdings Db. 5pc
Leslie and Godwin 1.166666p
Lincoln 10¼pcBds. Red. 30/3/77 5⅛pc
Llanelli 10¼pcBds. Red. 28/9/77 5⅛pc
London 10¼pcBds. Red. 30/3/77 5⅛pc
Newcastle-upon-Tyne 11¼pcBds. Red. 22/9/76 £5.7791
Newham 10¼pcBds. Red. 30/3/77 5⅛pc
Pfizer Inc. 22 cts.
Renfrew 10¼pcBds. Red. 30/3/77 5⅛pc
Rochford 10¼pcBds. Red. 30/3/77 5⅛pc
Rotherham 10¼pcBds. Red. 30/3/77 5⅛pc
S.G.B. Ln. 4½pc
Scunthorpe 10¼pcBds. Red. 30/3/77 5⅛pc
Sefton 10¼pcBds. Red 30/3/77 5⅛pc
Sidlaw Industries Ln. 3¼pc
Slough 10¼pcBds. Red 30/3/77 5⅛pc
Sommerville (Wm.) and Son 0.5p
Southampton 10¼pcBds. Red. 30/3/77 5⅛pc
Strathclyde 10¼pcBds. Red. 30/3/77 5⅛pc
Swan Hunter 2.9122p
UOP Inc. 10 cts.
Wakefield 10¼pcBds. Red. 30/3/77 5⅛pc
Watford 10¼pcBds. Red 30/3/77 5⅛pc
West Oxfordshire 10¼pcBds. Red. 30/3/77 5⅛pc
Western Board Mills 2p
White Child and Beney 1.2p
Witwatersrand Gold Mining 5 cts.
Worthing 10¼pcBds. Red. 30/3/77 5⅛pc
York Waterworks Cons. Ord. 2.45pc. 3.5pc (fmly. 5pc) Max. Div. Ord. 1.75pc. 3.15pc (fmly. 4½pc) Red. Pf. 75-78 1.575pc. 4.2pc (fmly. 6pc) Red. Pf. 83-84 2.1pc. Cons. Pf 2.1pc
Yorkshire Chemicals 2.1125p

SATURDAY, SEPTEMBER 25

DIVIDEND & INTEREST PAYMENTS—
Associated British Foods Lns. 2¼ and 3¼pc. Ln. 3¼pc Cnv.
Centrovincial Estates Ln. 3¼pc
London and Midland Inds. 2.42p
M. and G. General Fund Income 0.4p
Manchester Mortgage Corp. 7¼pc Gtd. Red. 3⅝pc
Martin The Newsagent Ln. 4¼pc
Ratcliffe (F. S.) 2p
Renold Db. 4pc
Russell's Gravesend Brewery 6pcPf. 2.1pc
Stanhope General Investment 6½pcPf. 2.275pc

SUNDAY, SEPTEMBER 26

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mortgage Corp. 14¼pcDb. 1984 7⅛pc
British Electricity 4¼pc Gtd. 74-79 2⅛pc
East Surrey Water Pf. 1977 3.15pc. 9pc Red. Pf. 1980 4.5pc
Treasury Stk. 11½pc 1977 5¾pc

APPOINTMENTS

Executive changes at Halfords

Mr. Melville Johnston has been appointed chief executive of HALFORDS from January 1. Mr. B. A. Jones will relinquish this post but will continue as non-executive chairman during 1977. Mr. Mark Rushbrooke will become deputy chief executive.

★

Mr. J. L. Edwards has been appointed to the Board of GUEST KEEN AND NETTLEFOLDS (U.K.) from October 1. He is currently corporate staff director — automative sector, at GKN Group headquarters, a post he relinquishes on September 30 when he becomes chairman of GKN Forgings.

★

SCAPA GROUP has announced organisational changes due to a new divisional management structure, which will become operative on October 1. Mr. T. D. Walker retires as chairman on September 30 but continues as a non-executive director. Mr. J. R. Hindle, at present group managing director, is appointed chairman and chief executive and Mr. R. W. Goodall and Mr. J. Haythornthwaite become managing directors. Mr. Goodall will be responsible for the divisions based in the U.K. and Mr. Haythornthwaite, who is resident in Canada, will continue to direct the Group's North American interests. Mr. R. T. G. Lord and Mr. H. Tuley have been named divisional chief executives in the U.K. and have been appointed to the Board of Scapa Group.

★

Mr. Robert G. Engel, a senior vice-president of MORGAN GUARANTY TRUST COMPANY OF NEW YORK, has been appointed general manager of its London offices with responsibility also for the bank's business throughout the U.K. and Scandinavia. He succeeds Mr. Robert V. Lindsay, executive vice-president, who has returned to New York to head the personnel and services division.

★

Mr. E. S. Priest has joined the Board of HYGENA as marketing director. Mr. Priest was previously marketing director of Steel Queen.

★

Mr. Keith Nicol has been appointed managing director of COMPUTER SCIENCES INTERNATIONAL (U.K.) from October 4. Mr. Nichol was previously systems director with Leasco Software.

★

MARATHON OIL COMPANY is consolidating its exploration and operations activities in Europe and Africa, excluding Ireland, Libya and Egypt, and Mr. F. W. Popp, vice-president of its subsidiary, Pan Ocean Oil (U.K.) has been made responsible for this activity. Mr. Thomas J. Challoner, who has been appointed manager of the Brae Field development in London, was formerly resident manager, Marathon Petroleum Ireland, Dublin. Mr. Phillip J. Reader, production manager, Pan Ocean Oil (U.K.), becomes operations manager, Europe-Africa. Mr. David S. McClain, resident manager, Southeast Asia, Singapore, moves to London as exploration manager, Europe-Africa. Mr. Rodney G. McKellar, advanced geologist, European exploration, has been appointed chief geologist in London.

★

Mr. Roger Godin has been appointed chief financial executive, private systems business, for the CABLE AND WIRELESS GROUP. Mr. Godin previously worked with Tarmac International as Financial Controller of the major projects department.

★

Following the acquisition of shares by Presstamp Engineering and Jon King (Commodities) BROWN AND JACKSON announce the following Board changes: Mr. C. Brown has retired as chairman and a director. Mr. W. Brown has retired as president, but remains on the Board. Mr. P. W. Brown has been appoinetd chairman and is to continue as managing director. Mr. B. Duffy, of Presstamp Engineering has been appointed a director. A further representative of Presstamp Engineering and one of Jon King (Commodities) have been invited to join the Board.

Entertainment Guide

OPERA AND BALLET

COLISEUM. 01-836 3161. ENGLISH NATIONAL OPERA Tomor. & Fri. 7.30 Tosca: Wed. & Sat. 8 Salome: Thur. 7.30 The Coronation of Poppea.

COVENT GARDEN DER RING DES NIBELUNGEN Tomor. & Oct. 4 at 7.30: Das Rheingold. Sept. 25, Oct 5 at 5.30 Die Walkure. Sept. 29, Oct. 7 at 5.30 Siegfried. Oct 1, 9 at 5.30: Gotterdammerung 65 Amphi seats for all perfs. on sale from 10 a.m. on day of perf. Personal bookings Oct. Opera & Ballet. 240 1066 (Gardencharge credit cards 836 6903)

SADLER'S WELLS TH. Rosebery Ave. EC1. 837 1672. Until Sat Evgs. 7.30. ENGLISH MUSIC THEATRE CO. Ton't & Wed. Cinderella: Tomor & Fri. Sandrina's Secret (La Finta Giardiniera): Thu. Tom Jones: Sat. Paul Bunyan: 28 Sept. 23 Oct. The Royal Ballet.

THEATRES

ADELPHI THEATRE. 01-836 7611. Evgs. 7.30. Sats. 5.30 & 8.30. Thurs. 3.0 IRENE "LONDON'S BEST NIGHT OUT SPECTACLE CAPTIVATING TUNES AND RACY COMEDY." People. IRENE "SLICK, SUMPTUOUS—THE MUSICAL IRENE HAS EVERYTHING." D. Express. IRENE "WILL TAKE LONDON BY STORM." News of the World. NOW BOOKING TO MARCH 1977

ALBERY. 836 3878. Evenings at 8.0 Mats. Thurs. 3. Sats. 5 and 8.15 sharp. National Theatre Production COLIN BLAKELY in EQUUS by PETER SHAFFER Directed by John Dexter. "STUNNING and COMPELLING." Std.

ALDWYCH. 836 6404 Inf 836 5332. Royal Shakespeare Company in Chekhov's IVANOV "This is a tantalising, infuriating and super-charged theatrical entertainment." F Times. Tonight at 7.30. In repertoire with Bernard Shaw's THE DEVIL'S DISCIPLE. "This triumphant revival is played by a flawless cast." D Express. Tomor. at 7.30. Wed at 2.00 and 7.30 Thurs. Fri. at 7.30. Sat. at 2.00 and 7.30.

AMBASSADORS. 836 1171. Evgs. 8.00. Mat Tues. 2.30. Sat 5.30 8.30. HAPPY AS A SANDBAG 2nd year of Delightful Hit Musical "Wonderful. Don't miss it." D. Express. Combined ticket, top price seat, 3-course meal, including VAT and Service, £6.00.

APOLLO. 01-437 2663. Evenings 8.00. Mat. Thur 3.00 Sat. 5.30 and 8.30. Pauline COLLINS, John ALDERTON "ARE BRILLIANT" D. Express, in CONFUSIONS "Super Alan Ayckbourn gives audience such a wonderful evening." Sun. Times.

ARTS THEATRE. Mon to Thurs. at 8.30. Friday and Saturday 7.30 and 9.15. TOM STOPPARD'S DIRTY LINEN "Hilarious ... see it." Sunday Times.

CAMBRIDGE. 01-836 6056. Continuing a season of prestige plays. Opening Wednesday at 7.0. (1st Night Tickets Available) ANASTASIA *Limited Season only.* Subs. Evgs. 8.0. Mat. Wed. 3.0. Sat. 5.0, 8.15. (Red. price prev. Tomor. at 8.0.)

CHICHESTER. 0243 86333. Tomorrow. Sept. 24th at 7.0. Sept 23rd at 2.0. THE CIRCLE, September 21st, 22nd 23. 25 at 7.0. Sept. 25th at 2.0. MONSIEUR PERRICHON'S TRAVELS

COMEDY. 930 2578. Evenings 8.00 Sats. 5.30 and 8.15. Matinees Thurs. 3. "THE THRILLER THAT REALLY THRILLS." H. Hobson, S. Times. "Top excellent cast." Ev. News. GARY BOND ANTHONY BATE HILDEGARD NEIL ERNEST CLARK GETTING AWAY WITH MURDER By J. Lee Thompson.

COMEDY. (930 2578.) Evenings 8.0. Mat. Thur. 3.0. Sat. 5.30 and 8.30. TRANSFERS HERE OCT. 4 OTHERWISE ENGAGED

CRITERION. 930 3216. Evgs. 8. Mats. Thurs 3. Sat. 5.30, 8.30. ALEC McCOWEN MICHAEL BRYANT JUDY PARFIT, ANNETTE CROSBIE in THE FAMILY DANCE by Felicity Browne "Very funny, brilliant ... an evening of delight." H. Hobson. S. Times.

DRURY LANE. 01-836 8108. Evenings 8 sharp. Matinees Wed and Sat. 3.00. A CHORUS LINE "A RARE DEVASTATING, JOYOUS ASTONISHING STUNNER" Sun Times.

DUCHESS. 836 8243. Evenings 8.00. Fri., Sat. 6.15 and 9.00. OH! CALCUTTA! NOW IN ITS 7th YEAR "Breathtakingly Beautiful." S. Tel. "The Nudity is Stunning" D. Tel.

DUKE OF YORK'S. 01-836 5122. For a Limited Season. Evening 8.00. Matinee Wed 2.30 Sat 5.15, 8.30. ALAN BATES in THE SEAGULL "This Seagull made my summer" Jack Tinker Daily Mail. "An intelligent and touching revival." Eric Shorter, Daily Telegraph. Combined ticket, top-price seat, 3-course meal inc. VAT and Service £6. A BEDFUL OF FOREIGNERS transfers here from Victoria Palace Oct. 4

FORTUNE. 836 2238. Mon.-Fri. at 8. Sat. 5 and 8 Thur. 3. Avril ANGERS. Derek BOND in AGATHA CHRISTIE'S MURDER AT THE VICARAGE 2nd GREAT YEAR

GARRICK THEATRE. 01-836 4601. Evenings 8.0. Fri. Sat. 6.0 and 8.40. RICHARD BECKINSALE is "side-splittingly funny." (Daily Mail). in FUNNY PECULIAR "Mike Stott's exceptionally fine, vastly entertaining, brilliant comedy." S. Times. "More good laughs than any other play in London." Observer.

GLOBE. 01-437 1592. Evenings 8.15. Mat. Wed. 3.00. Sat. 6.00 and 8.40. PETER BARKWORTH, PETER JEFFREY and "PENELOPE KEITH, the funniest woman in the West End." Guardian DONKEY'S YEARS "MICHAEL FRAYN'S delightful comedy." Evening Standard. "Two hours of bubbling laughter." Daily Mirror.

GREENWICH. Crooms Hill, S.E.10. 858 7755. New Season opens with SCRIBES by Barrie Keeffe. Oct. 6-30.

HER MAJESTY'S. 930 6606. Evgs. at 8. Friday's and Saturday's 5.45 and 8.30. IPI TOMBI "PULSATING MUSICAL." Evg. News. Seats £3 to 50p.

HAYMARKET. 930 9832. Evenings 8.0. Matinee Wed. 2.30. Sat. 5.00 & 8.15. Edward Woodward, Geraldine McEwan Stephanie Beacham, Geoffrey Palmer in Frederick Lonsdale's ON APPROVAL "You should rush to see it" D. Tel. "An evening of comic delight." Harold Hobson, Sunday Times. LAST TWO WEEKS.

HAYMARKET. 930 9832. Opens Wed. Oct. 13 7.00. Prevs. from Tues. Oct. 5. Googie Withers, Susan Hampshire, John McCallum, Clive Francis, Martin Jarvis and Bill Fraser in The Chichester Festival Theatre's Production of Somerset Maugham's THE CIRCLE

KING'S ROAD THEATRE. 352 7488. Mon. to Thur. 9.0. Fri., Sat. 7.30, 9.30. THE ROCKY HORROR SHOW THE BEST MUSICAL OF THE YEAR "Impossible to overpraise." Punch. NOW IN ITS 4th ROCKING YEAR

LYRIC. 01-437 3686. Evenings 8.00. Mat. Wed. 3.0. Sat. 5.0 and 8.30. SHEILA HANCOCK, JOHN MOFFATT in THE BED BEFORE YESTERDAY A Comedy by BEN TRAVERS "STILL THE FUNNIEST COMEDY IN LONDON." Daily Mail.

LYTTELTON (new National Theatre). 928 2252. Ton't. & Wed. 7.45. Tomor. 7.00. Thu. 2.30 & 7.45. JUMPERS by Tom Stoppard Fri. 7.45. Sat. 2.30 & 7.45. Weapons of Happiness: Over 100 excellent £1 seats on sale day of performance from 8.30 a.m.

MAYFAIR. 629 3036, 493 2031. Opens Tonight at 7.30 Subs. 8.15. Fri., Sat. 6.0 & 8.45. ANNA RUSSELL The World's Funniest Concert Comedienne.

MERMAID THEATRE. 248 7656. FOOD 248 2835. Prev. Tues., Wed. Thur. at 8 p.m. Opens Fri. at 7 p.m. Sub. Evgs. 8 p.m. Mats. Sat. at 5 p.m. FOR KING AND COUNTRY, by John Wilson

NATIONAL THEATRE. See under LYTTELTON and YOUNG VIC.

OLD VIC. 928 7616. 7.30. Sat. 2.30. "GLENDA JACKSON is superb." E.N. THE WHITE DEVIL LAST 2 WEEKS

PALACE. 01-437 6834. Mon.-Thur. 8.0 Fri., Sat. 6.00, 8.40. JESUS CHRIST SUPERSTAR

PALLADIUM. 01-437 7373. Monday, September 27th FOR ONE WEEK ONLY THE PASADENA ROOF ORCHESTRA MR. ACKER BILK & HIS PARAMOUNT JAZZBAND THE ROY BUDD TRIO

PALLADIUM. 01-437 7373. Sunday Sept. 26 at 8.0. DOROTHY MOORE, JIMMY JAMES and The Vagabonds, WILD HONEY.

PHOENIX THEATRE. 01-836 8611. Opening September 30 CARTE BLANCHE Previews from Wed. Evgs. 8.15. Saturday 5.45 and 8.45.

PICCADILLY. 437 4506. Mon. to Fri. 8.0. Saturday 5.30 and 8.30. Jerome Kern's hit musical VERY GOOD EDDIE "LOVELY to look at. DELIGHTFUL to hear and HEAVEN to watch." D. Express. "Absolutely enchanting. I really loved it." N.Y. Times. OVER 200 PERFS.

PRINCE OF WALES. 01-930 8681. Opening Thurs. 7.0. Sub. 8.0. Sat. 6.0 and 8.45. MICHAEL CRAWFORD FRANCES CUKA in SAME TIME NEXT YEAR Red. price Preview Wed. at 8.0.

QUEEN'S. 01-734 1166. Evenings 8.0. Mat. Thurs. 3.0. Sats. 5.30 and 8.30. BEST PLAY OF THE YEAR Michael GAMBON in Simon GRAY'S OTHERWISE ENGAGED Directed by Harold PINTER. TRANSFERS TO COMEDY OCT. 4.

QUEEN'S. (01-734 1166.) Opening Oct. 6. 7.0. Subs. 8.0. Sat. 5.0 and 8.30. ALEC GUINNESS in YAHOO. Box Office open. Book Now!

THEATRES

RAYMOND REVUEBAR THEATRE. 734 1593. At 7, 9, 11 p.m. (Open Suns.) PAUL RAYMOND presents THE FESTIVAL OF EROTICA '76 FULLY AIR CONDITIONED—You may drink and smoke in the Auditorium.

REGENT. 323 2707. Evenings 8.30 Friday and Saturday 7.0 and 9.15. THIRD ECSTATIC YEAR NEW CAST! NEW EXCITEMENT! LET MY PEOPLE COME AN ADULT MUSICAL "Never a dull moment." Evening News 100 tickets held for sale at door.

ROUNDHOUSE DOWNSTAIRS. 267 2564 Bristol University Tomorrow at 5.0 THE OZ OBSCENITY TRIAL Late shows Thurs.-Sat. 9.45; Seats 90 & IN CAMERA Wed.-Sat. at 6 seats 60

ROYAL COURT. 730 1745. Prevs. Ton't & Tomor. 8. Opens Wed 7. Subs. ev. 8 Sat. 5 & 8.30. MOTHER'S DAY a comedy by DAVID STOREY See also THEATRE UPSTAIRS

ST. GEORGE'S. 01-609 1198 49, Tufnell Park Road, Islington, N (Tufnell Park Tube) Evenings 7.30. Matinee Saturday 2.30 All unsold seats after 7.20 p.m. £1.00 for OAPs and Students. Tonight and Tomor. PETER McENERY, SARAH BADEL ROMEO AND JULIET Sept. 22, 23, 24, 25 (mdee.) ALAN BADEL in RICHARD III

SAVOY. 836 8888. Evenings at 8.0 Sat. 5 and 8. Matinees Wed. 2.30 ROBERT MORLEY, GEORGE COLE in BEN TRAVERS' BANANA RIDGE "HILARIOUS SUCCESS." D. Tel.

ST. MARTIN'S. 836 1443. Evenings 8. Mats. Tues. at 2.45. Sat. 5.0 and 8. AGATHA CHRISTIE'S THE MOUSETRAP World's longest-ever run 24th Year

STRAND. 01-836 2660. Evenings 8.0 Mats. Thurs. 3.00. Sat. 5.30 and 8.30 Doris Hare, McDonald Hobley, Arthur Howard, Barry McGinn, NO SEX PLEASE WE'RE BRITISH Directed by Allan Davis SIX HYSTERICAL YEARS

TALK OF THE TOWN. 01-734 5051 FULLY AIR-CONDITIONED From 8.15 Dining and Dancing. At 9.30 Revue: SWEET TEMPTATION Opening ton't. 11 p.m. JULIE ROGERS

TH. UPSTAIRS. 730 2554. Prevs. Ton't Wed. 8.15 Opens Sep. 23, 7 Subs. 8.15 JOINT STOCK in LIGHT SHINING IN BUCKINGHAMSHIRE by Caryl Churchill

VAUDEVILLE. 01-836 9988. Evgs. 8 Mat. Tues. 2.45 Sats. 5.00 and 8. GERALD HARPER HANNAH GORDON UNA STUBBS, PRUNELLA GEE in BAGGAGE "WITTY AND VERY FUNNY." E. News THEATRE AIR-CONDITIONED

VICTORIA PALACE. 01-834 1317 Evenings 8.00, Wed., Sat. 6.00 and 8.40 TERRY SCOTT JUNE WHITFIELD A BEDFULL OF FOREIGNERS "GENUINELY HILARIOUS." Gdn. Dinner and best stall £4 inc. (Mon.-Thurs.) Transfers Duke of York's Oct. 4.

WHITEHALL. 930 6692-7765 Evgs. Sats. 6 and 8.45. Mats. Wed. 3. BRIAN RIX "MARVELLOUSLY COMIC." E. News Terence Jane ALEXANDER DOWNS FRINGE BENEFITS "You laugh until you are ill." Gdn. Supper and Top-price seat £5.30 inc.

WINDMILL THEATRE. 437 6312 Twice Nightly at 8.00 and 10.00 PAUL RAYMOND presents RIP OFF THE EROTIC EXPERIENCE OF THE MODERN ERA An entire French production You may drink and smoke in the Auditorium "Takes to unprecedented limits what is permissible on our stage." Evening News

WYNDHAM'S. 836 3028. Evenings 8.0 Saturday 5.15 and 8.30 Millicent Martin, Julia McKenzie, David Kernan, Ned Sherrin in SIDE BY SIDE BY SONDHEIM "If you are planning to spend an evening in the musical theatre this week I urgently suggest you make it Side by Side by Sondheim. If you are planning to spend two GO TWICE ..." Punch

YOUNG VIC. 928 6363. National Theatre Summer Season. Ton't. & Wed. at 7.45 THEY ARE DYING OUT by Peter Handke (seats 75p). Tomor. & Thur. Troilus & Cressida 7.30 (seats £1.25) Some seats held for sale on day of performance.

CINEMAS

ABC 1 & 2, SHAFTESBURY AVE. 836 8861. Sep. Perfs. ALL SEATS BKBLE. 1: ODE TO BILLY JOE (AA). Wk. & Sun.: 1.50, 5.10, 8.10. 2: SEVEN NIGHTS IN JAPAN (A). Wk. & Sun.: 2.00, 5.15, 8.15.

CASINO. Old Compton St. 437 6877. DRUM (X). Cont. progs. 2.30, 4.30, 7.35. Sunday progs. 4.15 and 7.40.

CURZON. Curzon St. W.1. 499 3737. THE MESSAGE (A). (Arabic Dialogue) film daily at 2.30 and 7.00. Limited Season. Fully air conditioned.

EMPIRE. Leicester Sq. 437 1234. All seats may be booked at the box office or by post. FAMILY PLOT (A) Sep. perfs. Progs.

LEICESTER SQUARE TH. (930 5252) Neil Simon's "Comedy" MURDER BY DEATH (A) Sep. progs. Dly. 2.30, 5.30, 8.30

ODEON HAYMARKET (930 2738/2771) TAXI DRIVER (X). Sep. progs. Dly. 1.30, 3.50, 6.10, 8.30. All seats bkble. inc. 8.30 progs.

ODEON LEICESTER SQUARE (930 6111) THE OMEN (X). Sep. progs. Dly. 2.50, 5.40, 8.35. Seats may be booked or at the box office.

ODEON MARBLE ARCH (723 2011) BUGSY MALONE (U). Sep. progs. Every Bcos. Wk. Progs. be booked.

PLAZA 1, 2, 3, 4, Lower Regent Street 437 1234. Sep. perfs. All seats bkble. Evg. perfs. & weekends only (not late night show)

PRINCE CHARLES, Leic. Sq. 437 8181 2nd Year. EMMANUELLE (X). Sep. perfs. Inc. Sun. Late show Fri. and Sat.

SCENE 1, 2, 3, 4 Leic. Sq. 439 4470.

WARNER WEST END. Leicester Square.

CLUBS

YOU'LL FIND DISCREET EXTRAVAGANCE at JULIUS at ST. JAMES'S Superb Restaurant. Erotic Cabaret 4 Duke of York St., S.W.1. Tel. 01-734 1071

GARGOYLE, 69 Dean Street, London, W.1. STRIPTEASE FLOORSHOW Show at Midnight also 1 a.m. Mon.-Fri. Closed Saturdays.

EVE, 189, Regent Street. 734 0557. A la carte or All-in Menu. Three Spectacular Floor Shows 10.45, 12.45 and 1.45 and music of Johnny Hawkesworth & Friends.

ART GALLERIES

REDFERN GALLERY, GRAHAM SUTHERLAND. Paintings, Gouaches. Watercolours, Etchings. Douglas Cooper Collection 14 September-7 Oct. 20 Cork Street, London, W.1.

ROYAL ACADEMY OF ARTS. 01-734 9052. Adm. MICHELANGELO DRAWINGS OTHER ROOMS

PARKIN GALLERY, 11 Motcomb Street, S.W.1. including British Mediterranean.

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In Europe, we recently managed a Eurobond issue that raised $50,000,000 for Britain's largest bank and we were a leader in Eurobond financing for U.S. and international issuers.

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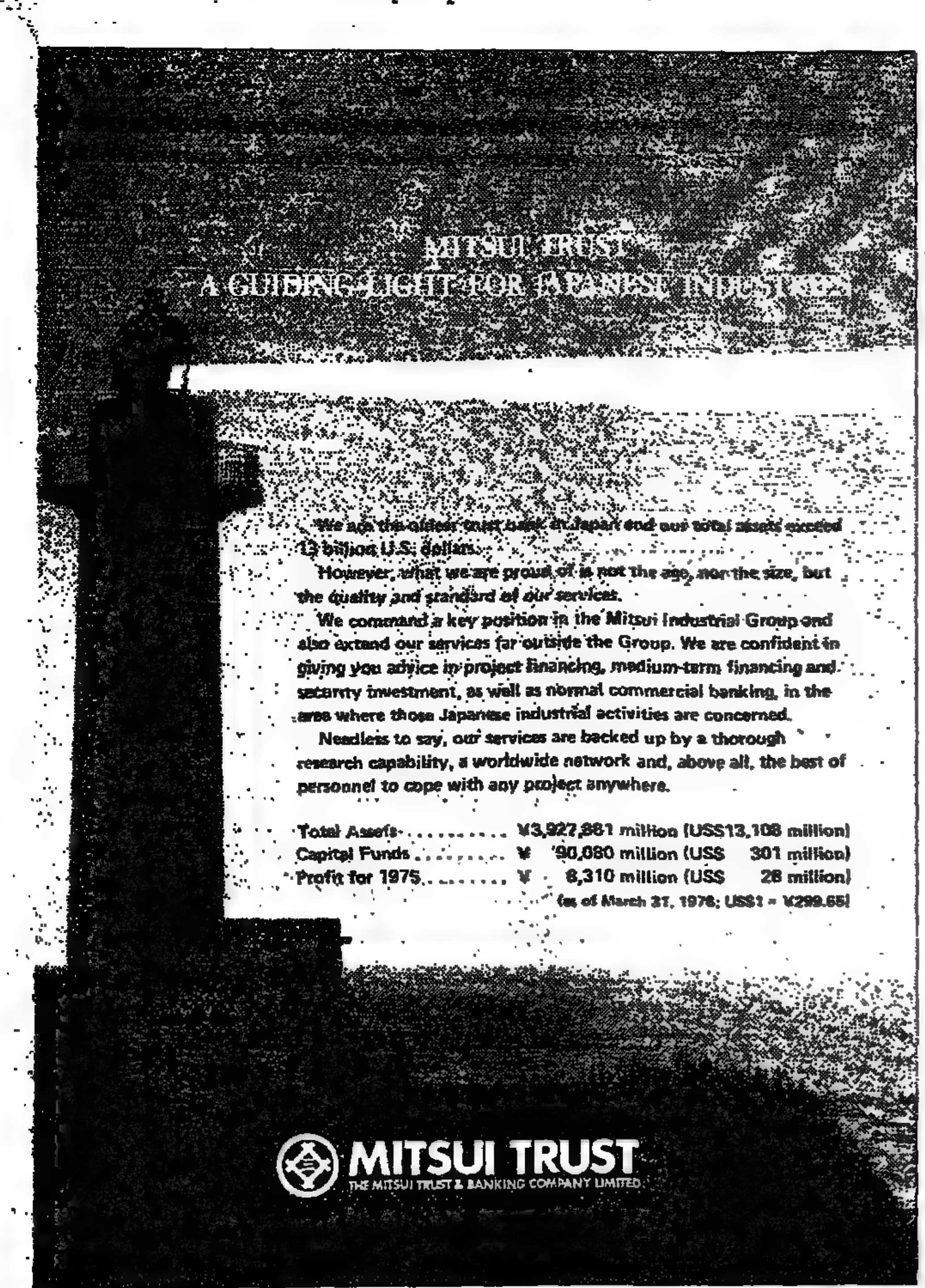

INSURANCE

Conference to look at future of underwriting

BY OUR INSURANCE CORRESPONDENT

MEN AND WOMEN in the insurance business from all over Britain will converge on Coventry this week for the annual conference of the Chartered Insurance Institute. This event deals with business (a new president is elected and officers confirmed for the coming year), part discursive (papers on matters of concern to the industry are presented and discussed), and part social.

Divided attention

The theme of the conference is "Insurance Underwriting To-day and To-morrow." The papers have been printed and circulated in advance, and on Thurday the whole day can be devoted to discussion.

Two of the four papers deal with underwriting environment and the authors have divided their attention between physical and economic development and sociological development.

The second two papers deal with recent and future developments in underwriting on the home scene, and internationally. The entire 54 pages of the four papers can be obtained in a booklet which is published by the CII for 50p, plus postage.

There is food for thought in the conference papers, which this year are being presented by senior managers in the company market. Having regard for their authors' positions, the papers, though in places deliberately argumentative and provocative, are indicative of thinking in the company sector.

In the second two papers the authors dilate upon widespread lack of underwriting profit and inadequate premium levels, emphasising the need for realistic rating during this time of continuing inflation and low economic activity. At the same time they stress the need for healthy competition and abjure unreal competition. This has been said before but it needs to be said again until the industry accepts it.

The dividing line between healthy and unreal competition may be indefinable. Indeed it frequently shifts, because of the financial circumstances of the day and particular factors affecting the individual risk. But I venture to suggest that underwriters and brokers handling individual risks and seinor management laying down general underwriting policy know on which side of the indefinable dividing line their particular activities fall.

Cash flow

As anyone engaged in the day to day underwriting of fire, motor, liability or marine business will tell you, there are always a few insurers who will write risks not for profit, but purely for cash flow, regardless of statistics and known claim costs. And there are always intermediaries who, secure in their commissions and bearing no part of the underwriting risk, are prepared to do their best to hold down or even depress rates avowedly in the interest of their clients.

At the CII conference at Coventry there will be protests that all this is reprehensible, damaging to the industry and ultimately to the public. In the past, public exhortation has been insufficient, but now there is a more cogent factor which may be taking effect—the statutory need for each insurer to maintain an adequate solvency margin. For in the short term such margin may be maintained without underwriting profit, but in the long term such profit is an essential ingredient.

New device separates oil from sea water

A DEVICE costing £50,000 and capable of separating 300 tons of oil an hour from sea water has been developed at Portsmouth naval base.

It is designed to cope with oil spillage at sea. A miniature version has an official demonstration in the Solent to-day, when senior civil servants from the Departments of Trade and the Environment are expected as observers.

The device uses a floating V-shaped boom towed behind tugs to concentrate the oil slick at the apex. A filtration system separates oil and water. The oil, fully reusable, is pumped into a barge alongside.

It incorporates a damping device for use in heavy seas. Preliminary experiments suggest it could deal with most types of oil spill.

The system, designed by a naval officer on the staff of the Flag Officer Portsmouth, has been patented by the Ministry of Defence.

Preliminary costings suggest massive savings over the conventional method of dealing with oil spillage by spraying on dispersant. The oil is recovered. There is no pollution problem from detergent.

Sheikhdom opens London bank

THE AJMAN ARAB BANK has opened a London Office, under the direction of Dr. Horst L. Tiefenthaler. A New York branch has also been opened.

The bank, founded about 18 months ago, has received permission to open branches in Sharjah and Abu Dhabi. Branches are also expected to be set up in other States of the United Arab Emirates, of which Ajman is a member.

WFC Corporation, of Florida, has a long-term management contract with the bank and participates in the ownership

CBI team flirts with vote reform and coalitions

BY ADRIAN HAMILTON

A WORKING PARTY of the Confederation of British Industry has produced a paper suggesting that proportional representation, and the coalition Governments that might result, could have strong advantages for industry.

The report, discussed briefly at last week's CBI Council meeting, carefully eschews any recommendation, and is far from representing CBI policy as such.

Nevertheless, it reflects a strong interest by many CBI members in the idea of proportional representation, a mood which could bring industry into conflict with the Conservative Party.

Tendency

The paper, prepared by a committee under Lord Caldecote, says industry's interests in a greater degree of continuity in Government policy might be better met by proportional representation than "our present electoral system, since a coalition Government would often enable the blocking veto to be used to work out compromises and to avoid extreme decisions being taken which may well be reversed when the Opposition party is returned to power."

The paper recognises that a tendency toward coalition Government might be less desirable because of delays in forming Governments and vacillation when they are formed. But it sees potential benefits to industry in this as well.

"While coalitions might lead to a medley of compromise policies, the use of a blocking veto could well mean less legislative action by the Government, allowing at the same time more lengthy discussion of proposed Bills and the enactment, therefore, of better-considered measures than our present overcrowded legislative timetable permits.

"With more time available there are likely to be greater opportunities, particularly at the Committee Stage of legislation, for industrialists to impress their views upon MPs. A greater rapport between MPs and industrialists, which could develop, would perhaps create an increased appreciation in Parliament of the problems facing the business world.

"Furthermore, MPs might be more open to persuasion by the strength of rational argument on the merits of amending Bills than under our present system, where members are frequently bound by their own party lines and where there is always some fear that the Government will be brought down by a vote of no confidence.

Refrain

"Greater flexibility may result from a coalition situation which would encourage the exchange of ideas among parties in a way that our existing system does not. This would be an advantage for industry in that sound policies would not be cast aside merely on the grounds that they had emanated from a rival party."

This refrain has been taken up by Mr. John Methven, CBI director-general, in a letter sent to all CBI members at the end of last week.

In this, Mr. Methven's first move into the public eye since his appointment earlier this summer, he promises a hard fight on a number of issues, including penalisation of the higher-paid and the surplus of industrial legislation

The British Electric Traction Company, Limited

Sir John Spencer Wills forecasts a record year

The following are extracts from the Review of the Chairman, Sir John Spencer Wills, which has been circulated with the Report and Accounts for the year ended 31st March 1976:—

Accounts

The Accounts show a pre-tax profit for the year ended 31st March 1976 of £42.06 million, compared with £37.75 million for the previous year. Although we have not achieved a return to the record level of £45.92 million reached two years ago, the results are better than we could have expected this time last year when inflation was running riot and business confidence generally was at a low ebb.

Contributions towards the partial recovery came from Rediffusion, whose subsidiary Redifon produced record results, Advance Laundries, Boulton & Paul, where there was a welcome upturn in profits after the substantial setback experienced last year, United Transport and Canadian Motorways.

Against the foregoing performances have to be set the losses which continued to be incurred by Murphy Bros. and Humphries Holdings, and the cost of financing Wembley Stadium's building development programme.

Twelve months ago, particular attention was being paid to companies' cash positions and this led me to comment on the satisfactory financial position of the B.E.T. Group. The subsequent improvement in the position then outlined is reflected in this year's Consolidated Balance Sheet. Bank borrowings and loan capital at £80.6 million are £7.2 million less than at the end of the previous year. Against this indebtedness there is cash of £14.2 million (excluding £6.8 million held in Rhodesia), and general investments, virtually all of which are quoted securities, valued at £47.5 million compared with £27 million twelve months earlier. Our net borrowings at 31st March this year were, therefore, £18.9 million – a reduction of £28.8 million compared with twelve months earlier.

The latest valuation of the general investments, made at the end of July, showed them to be worth £46.5 million.

Printing and Publishing

Argus Press Holdings improved its 1975 profit, before tax, from the £335,000 of the previous year to £436,000.

Adverse economic conditions particularly affected the volume of situations vacant advertising in the company's local newspapers in Surrey and South London, but this was more than counterbalanced by improved performance and expansion of the magazine publishing interests.

Electrical Press, which in 1975 extended its weekly newspaper coverage north of London, raised its profits from the £176,000 of the previous year to £190,000.

Advance Laundries

Last year I reported that pre-tax profits for 1974 at £1,659,000 showed a modest improvement of £100,000. It is gratifying to be able to report that, for 1975, a pre-tax profit of £2,545,000 was achieved, an increase of £886,000 on the 1974 results.

Against the steady background of the Towelmaster service, which continues to do well, the new Airmaster air freshening service and the Dustmaster mat hire service made further satisfactory progress and increased their contributions to the group's profits.

Linen and garment hire services have also held their own surprisingly well considering the current economic conditions and the level of unemployment.

The results for the current year to date show an improvement on those for the corresponding period of last year but we cannot expect the overall rate of progress in 1975 to be repeated in 1976.

Humphries Holdings

On the surface, Humphries Holdings appeared to perform as poorly in its year to 31st March 1976, as it did in the previous year when a loss, before tax, of £834,000 was incurred. Analysis of the year's figures reveals, however, that the loss, before tax, of £832,000 included redundancy payments of £321,000; there were no such payments in the previous year.

The dominant factor in 1975/76 was the loss incurred by Humphries Film Laboratories of £771,000 which included the above-mentioned redundancy payments. A drastic reorganisation of this company is being carried out which should in due course be reflected in a return to profitable operation.

Filmatic, De Lane Lea Music and the two manufacturing subsidiaries, Photomec and Opsec, earned total profits of some £359,000 but these were offset to the extent of £326,000 by a loss incurred by De Lane Lea, which operates sound studios serving the film industry, and a net loss on the operations of the Mole-Richardson subsidiaries.

Humphries Holdings has still not been put to rights but the group's management believes that when the accounts for the current year are presented they will show a marked improvement.

United Transport

The pre-tax profits of the United Transport group for the year 1975, at £12,120,000, were again a record, being £612,000 better than the results for the previous year.

The operating profits of the overseas companies at £9,806,000 were a gratifying achievement under difficult trading conditions.

In the United Kingdom, where the pre-tax profit rose by 25 per cent, the improvement was attributable to increased contributions from the specialised transport and manufacturing activities.

On the overseas side, the passenger companies in East Africa did well and the freight and passenger operations in Malawi had a most successful year.

In South Africa, the negotiated sale by United Transport Overseas of 25 per cent of its transport interests in that country to the South African International Life Assurance Company (SANLAM), to which I referred last year, was completed in October 1975. The year was one of record profits in South Africa and, with its new partner, United Transport Overseas is well placed to undertake further expansion.

The freight transport and forwarding operations in Europe were severely affected in 1975 by the downturn in business activity but, with the recent improvement in the business climate on the Continent, the 1976 results to date are encouraging.

The impact of recession, and the timing of recovery therefrom, in different countries, and in activities within individual countries, has produced conflicting trends in the present year's trading results. The improvement and recovery in many areas should, however, ensure that United Transport's overall results for 1976 do not differ materially from those for 1975.

Canadian Motorways

Canadian Motorways had a most successful year, increasing its pre-tax profit by 41 per cent from the £883,000 earned in 1974 to a record £1,243,000.

Towards the end of 1975, negotiations were concluded for the acquisition of Carson Transport, an operation based in Vancouver and serving the area in British Columbia northwards to Prince George and Prince Rupert, and linking that area with the Prairie Provinces. This extension of the company's area of operations will strengthen its profit potential.

Murphy Bros.

In the year to 31st December 1975, Murphy Bros. incurred a loss of £3,239,000. That the loss showed an increase rather than a decrease on the previous year's loss of £2,760,000, was due mainly to the fact that, with the end of the company's major loss-making contracts in the United Kingdom in sight, it was decided to provide for the estimated losses up to the end of these contracts, even although the work did not finish until early in 1976. In addition, further provisions had to be made for the escalating costs of restoration of the company's old coal sites; this work will also be finished within the current year.

For Murphy Bros.' principal activity, opencast mining for coal, there would appear to be a good market for the foreseeable future and, with revised contract terms which allow for the escalation of costs on both mining and eventual restoration of sites, the main hazards of the recent past have been reduced. The problems of the German civil engineering subsidiary have yet to be satisfactorily resolved but, as regards its United Kingdom operations, Murphy Bros. is expected to return to profitability in the current year.

Boulton & Paul

The pre-tax profit for the year to 31st March 1976 is up from the previous year's £1,579,000 to £3,345,000. This is a welcome recovery but profits are still below the 1973/74 record figure of £5,096,000.

Joinery production showed an increase of 50 per cent on the previous year's figure and steel construction achieved its best-ever results; the other sections of the business also improved on their 1974/75 results.

In addition to the two major activities of joinery and steel construction, Stephens & Carter and the Dutch subsidiary, Bijstede, both of which manufacture ladders and supply process equipment, enjoyed excellent years in spite of the difficult conditions prevailing in the construction industry both at home and on the Continent. The Aluminium Windows subsidiary turned in its best result to date; the dearth of large construction jobs could, however, affect this company's order book.

Boulton & Paul takes the view, now endorsed by Government announcements of cutbacks in construction projects, that in two of the fields in which it is involved, steel construction and aluminium windows, the market has yet to touch bottom. On the other hand, joinery and the remaining activities have started the new financial year well and there is the possibility that Boulton & Paul's overall profit for the current year will show an improvement.

Reclamation and Disposal

In 1975, Reclamation and Disposal suffered a pre-tax loss of £112,000 compared with a loss of £218,000 in 1974.

The year under review was the first full year of operation of Re-Chem International's industrial waste treatment plants at Pontypool, in South Wales, and Roughmute in Scotland.

Re-Chem International, where progress towards the establishment of a profitable operation has been affected by technical troubles, as so frequently happens in the early stages of a new development, also experienced difficult trading conditions; its losses again reflected the severe competition from the cheaper, but potentially hazardous, alternative disposal facilities offered by tipping on land sites. Unfortunately, economic considerations have continued to hold back the implementation of the Control of Pollution Act.

The results of Biffa Holdings, Reclamation and Disposal's other subsidiary, which is engaged in general waste disposal and the supply of building aggregates, showed a marked improvement in spite of difficult trading conditions, and 1975 was a record year for the company.

Rediffusion Television

The pre-tax profit of Rediffusion Television for the year ended 29th July 1975, including the whole of the profit of Thames Television for its year to 30th June 1975, was £6,500,000, compared with £7,467,000 for the previous year. The reduction was, as had been forecast, due to the adverse effects of the economic situation on the operations of Thames Television in its year to 30th June 1975. The profit, after tax and minority interests, of Rediffusion Television, which has a 50 per cent interest in Thames, was £2,329,000 compared with £2,564,000 for the previous year.

Thames Television's advertisement revenue improved considerably in 1976, and the company's profit for the year ended 30th June 1976 is expected to be substantially better than that for its year to end-June 1975. This improvement in profit will be reflected in Rediffusion Television's accounts to 29th July 1976, which will be consolidated in B.E.T.'s accounts for the current year.

Rediffusion Holdings

Rediffusion Holdings incurred a pre-tax loss of £231,000 in the year to 31st March 1976, compared with a profit of £468,000 in the previous year. This loss is attributable to the substantial increase in interest charges incurred by one of its subsidiaries, Wembley Stadium Limited, in connection with the financing of its major building development programme.

Building work at Wembley continued throughout the year on the new conference centre, office block, car parks and the construction of overhead walkways leading from the Empire Stadium. The conference centre and the office block are due to be completed before the end of 1976. The conference centre is creating widespread interest and has already attracted a large number of advance bookings.

Rediffusion Holdings' other main operating subsidiary, Walport, which provides filmed entertainment and closed-circuit television programme services for ships at sea, had another successful year, and achieved a considerable increase in its turnover and profit.

The B.E.T. Group

Plant Hire

J. D. White achieved a record profit of £1,202,000, an increase of £274,000. The company continues to increase its share of the hire market for large capacity cranes.

Owing to the depressed state of the construction industry, Grayston, which has a widespread business in the hire of cranes, general plant and scaffolding, suffered a decline in demand which commenced slowly in September 1975 but accelerated from December to March. Nevertheless, a record pre-tax profit of £1,857,000 was achieved. As in the case of J. D. White, the demand for cranes remains good but hire rates are far too low.

A downturn of £325,000 in Eddison Plant's pre-tax profit of £1,036,000 for its year to 31st December 1975, is no reflection on the company's management. Turnover is derived mainly from the hiring out of fork-lift trucks and 'non-operated' building and civil engineering plant and equipment, both of which sectors were affected by lower than normal demand.

For the current year, the three plant hire companies are expected to earn aggregate pre-tax profits very similar to the £4,095,000 earned in 1975/76.

Rediffusion

For the year to 31st March 1976, Rediffusion's profit, before tax, increased from the £14.36 million earned in the previous year, to £16.31 million.

The television set business in the United Kingdom produced a marginal improvement in profit, in the face of conditions which discouraged growth; the improvement would not have been possible without an intensive drive to reduce costs, which was maintained throughout the year. The effects of economic recession upon the industry were accentuated by Government intervention, in the form of controls and discriminatory taxation, which added severely to costs. There was eventually a reduction from 42 weeks to 26 weeks in the compulsory initial payment on hiring and hire purchase transactions in December 1975; but it was not until after the company's year-end that the punishing 25 per cent rate of VAT affecting television set business was reduced to 12½ per cent – which compares with the standard rate of VAT of 8 per cent.

Outstanding results were achieved by Redifon, operating in the electronic capital equipment field, which for the first time contributed over 20 per cent of Rediffusion's total profit. One of Redifon's constituent companies, Flight Simulation, again took the major share of world orders for airline flight simulators. The highlight of its year's trading was an order for a device to simulate the in-flight refuelling of the B52 bomber – the first direct order to be placed with Redifon by the U.S. Air Force. Redifon Computers (formerly Redifon Electronic Systems) is meeting with great success. Its output was up by 70 per cent in the year and profits were trebled.

The group's operations abroad continue to be overshadowed by losses incurred by the new television station in Hong Kong, where there are now three commercial stations competing for audiences. However, Rediffusion believe that their Hong Kong subsidiary has now become a first-class television broadcasting company which will win and maintain a major share of the available audience.

Rediffusion's operations in other parts of the world generally produced satisfactory results.

In South Africa, Barlow Rand and Rediffusion have merged their related interests into a new company called Telarama-Rediffusion Holdings, in which Barlow Rand has a 51 per cent controlling interest, and Rediffusion and Standard Bank each hold 24.5 per cent. The new company has taken over the 'Telarama' television set marketing business which Barlow Rand started in partnership with Rediffusion in 1975, and the business of Rediffusion's former subsidiary specialising in cable-television installations in hotels and blocks of flats.

The Outlook

Trading under present economic conditions remains far from easy. Recently, there have been signs of some recovery in sectors of the economy, particularly manufacturing industry, but the rate of inflation, although it has been brought down from the crippling level of twelve months ago, is still running at an uncomfortably high rate.

Even so, our results to date are encouraging and profits for the whole year should exceed the record of £45.92 million established in 1973/74. By how much we may exceed that record will depend upon how the economy fares during the next seven months.

The Annual General Meeting of The British Electric Traction Company, Limited will be held on 14th October 1976, at the Connaught Rooms, Great Queen Street, London, W.C.2.

Copies of the Report and Accounts, containing the Chairman's Review, can be obtained from the Secretary (r f), Stratton House, Piccadilly, London W1X 6AS.

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Current exploitation programmes during the next three years will push U.K. production near to the 150 million tons a year mark by 1980. And this means that Britain will be self-supporting in oil and gas by the early 1980's.

Already London is recognised as the offshore capital of the Eastern Hemisphere, which is why London's Olympia will host the **World Offshore Exhibition and Conference** from October 4th-7th 1976.

The Exhibition will cover the latest developments in offshore equipment, materials and services, as well as being a forum for new ideas in technology and practice.

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To complement the Exhibition, the **World Offshore Conference** is being held at the Royal Lancaster Hotel, London, on October 5th and 6th, 1976.

Some 40 speakers – all world authorities in their respective fields – will present papers on exploration, supply, production and research.

Key speakers and topics include:

Peter Kelly, Director, Long-Term Co-operation, I.E.A.: "World Offshore Activity".

Donald A. Logan, CMG Delegation to U.N. Law of Sea Conference: "Sovereignty Problems and World Offshore Development".

Quentin Morris, Group Financial Controller, British Petroleum Ltd.: "Offshore Exploration and Development Costs".

E. Shannon, President, Santa Fe International: "Host Governments, Operating Companies and Contractors".

H. R. Warman: "World Oil and Gas Production".

Giuseppe Bacoccoli, Petrobras: "Brazilian Offshore Prospects".

Leslie Bitner, Taywood-Santa Fe: "Prediction and Control of Future North Sea Development Costs".

M. G. Brigham, Halliburton: "Drill Stem Testing from Floating Vessels".

Dr. E. Edelmann, Prakla-Seismos: "New Developments in Offshore Seismic Techniques".

Paul Holbrook, Gaffney, Cline and Associates Ltd.: "Prospects for the Asian Pacific Region".

K. J. Jameson, BP Petroleum Development Ltd.: "Aspects of Tethered Buoyant Platform Systems Development".

R. D. Koch, British Petroleum Co. Ltd.: "Production Drilling on the Forties Field".

Sverre Lund, Statoil: "Pipelines Across the Norwegian Trench".

Dr N. Prasad, Chairman, Indian Oil and Natural Gas: "The Bombay Paleohigh".

T. S. Carter, N. L. Baroid Petroleum Services: "Drilling Fluids for Offshore Programmes".

M. A. Taylor, Manager, Protech International (UK) Ltd.: "Cost Effective Gas and Oil Gathering Systems – A Computer Approach".

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COMPANY NOTICES

CANON INC.

Advice has been received from Tokyo that the Board of Directors Meeting held on 11th August, 1976 have declared a payment of INTERIM DIVIDEND (according to the Commercial Code article 293-5) for the fiscal term from 1st January, 1976 to 31st December, 1976.

Dividend payments will be made according to the Article 28 of Incorporation to the shareholders appearing on the Register of Shareholders as of 30th June, 1976.

Interim dividend declared at Yen 2.50 per share—effective date of right of claim and date of payment will be 25th September, 1976.

Holders of EUROPEAN DEPOSITARY RECEIPTS TO BEARER (SHARE EDRS) wishing to claim this dividend in respect of the shares represented by their share EDRs should present Coupon No. 26 at the office of HILL SAMUEL & CO. LTD., 45 BEECH STREET, LONDON, EC2P 2LX, where listing forms are available.

Coupons must be presented by an Authorised Depositary and must be left four clear days for examination.

Payment will be made in Sterling at the rate of exchange ruling on the day of presentation, except in the case of non-residents of the Scheduled Territories who, to obtain payment in Yen must follow the procedure laid down in the listing form.

Japanese Withholding Tax at the rate of 20% will be deducted from the proceeds of the dividend, except in the case of holders resident in the following countries.—

Australia	New Zealand
Belgium	Norway
Canada	Pakistan (excluding Bangladesh)
Denmark	Singapore
Federal Republic of Germany	Sweden
Finland	Switzerland
France	United Arab Republic
Italy	United Kingdom
Malaysia	United States of America
The Netherlands	

To obtain payment under deduction of Withholding Tax at the reduced rate of 15% residents of the above countries must furnish a declaration of residence as required by the Japanese Ministry of Finance. The declaration must be given by an Authorised Depositary, and in respect of holders resident in the United Kingdom is incorporated in the listing form.

For residents of all other countries a separate declaration must be furnished, giving the name and address of the beneficial owners, the number and definitive numbers of EDRs held, and attesting that he is entitled to the 5% Tax Relief pursuant to the Tax Convention between Japan and the country concerned.

Share EDR holders resident in the Republic of Korea will receive payment under deduction of Withholding Tax at the reduced rate of 12% and residents of Zambia without any deduction subject to the provision of a declaration as set out above.

Attention is drawn to the fact that the above mentioned concessions relating to Japanese Withholding Tax apply only to coupons presented for payment within 5 months of the due date. Thereafter tax will be deducted at the full rate of 20% and it will be the responsibility of the owner to claim from the Japanese Tax Authorities any refund to which he is entitled.

United Kingdom Income Tax at the appropriate rate will be deducted from the proceeds unless the Coupons are accompanied by a United Kingdom Affidavit of Non-residence.

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(Incorporated in the Republic of South Africa)

NOTICE TO SHAREHOLDERS
DECLARATION OF DIVIDENDS—
DIVIDEND NO. 59

Notice is hereby given that dividends have been declared on the Ordinary, "A" Ordinary and 6 per cent. and 7 per cent. Cumulative Preference shares of this Company as follows:—

(a) On the Ordinary and "A" Ordinary shares—a Final Dividend of 35 per cent. (equivalent to 3.5 cents per 10 cent share) making a total of 60 per cent. (equivalent to 6.0 cents per 10 cent. share) for the year (1975—60 per cent.).

(b) On the 6 per cent. Cumulative Preference shares—a half-yearly dividend in respect of the half year ended 31st July, 1976, of 3 per cent. (equivalent to 6 cents per R2 share) making a total of 6 per cent. for the year ended 31st July, 1976 (1975—6 per cent.).

(c) On the 7 per cent. Cumulative Preference shares—a half-yearly dividend in respect of the half year ended 31st July, 1976, of 3½ per cent. (equivalent to 7 cents per R2 share) making a total of 7 per cent. for the year ended 31st July, 1976 (1975—7 per cent.).

The Dividends are payable to the Shareholders registered in the books of the Company at the close business on 1st October, 1976, and the cheques in payment thereof will be posted on or about the 1st November, 1976.

Dividends are payable in the currency of the Republic of South Africa, and dividends from the London Office will be paid in British Currency calculated at the rate of exchange ruling on the 14th October, 1976.

Dividend cheques despatched from the London Office to persons resident in Great Britain or Northern Ireland will be subject to a deduction of United Kingdom Income Tax at rates to be arrived at after allowing for relief (if any) in respect of South African Taxes.

The Company will deduct the Non-Resident Shareholders Tax of 15 per cent. (15%) from all Dividends payable to shareholders whose addresses in the Share Registers are outside the Republic of South Africa.

The Share Transfer Books and Share Registers of the Company will be closed from 2nd October 1976 to 8th October 1976 both dates inclusive.

By Order of the Board,
D. H. EDGE,
Secretary.

Head Office:
1-5 Somers Road,
P.O. Box 509
PORT ELIZABETH 6000.
Transfer Secretaries:
Republic Registrars (Pty.) Limited,
6th Floor St. Mary's Building,
85 Eloff Street,
P.O. Box 1370
JOHANNESBURG, 2000.
London Transfer Office:
6 Greencoat Place
LONDON SW1P 1PL
ENGLAND
17th September 1976.

NOTICE

To holders of 7½% subordinated debentures due 1975 and 1976 and variable rate amortising subordinated debentures due 1983.

BUILDERS INVESTMENT GROUP

NOTICE IS HEREBY GIVEN in connection with the Indenture dated as of December 30, 1972, as amended and supplemented, between Builders Investment Group (the "Trust") and United States Trust Company of New York, successor indenture trustee that the Trust's mandatory interest coupons No. 1 due and payable on March 31 1976, and No. 2 due and payable June 30, 1976 of the variable rate amortising subordinated debentures due 1983 are now payable at Banque de Suez-Luxembourg and at Chemical Bank London.

This notice is also an invitation to the holders of 7½% subordinated debentures due 1975 and 1976 to give their consent to the third supplemental indenture which became effective on February 27, 1976, and which is described in the trust's explanatory statement dated November 10, 1975, and the telex communication sent the last week of January, 1976 to debenture holders. The trust shall accept letters of transmittal and consent submitted to any of the "paying agents" listed in the explanatory statement by December 31, 1976.

If you have any questions about the mandatory interest coupons or the third supplemental indenture please contact Mr. Michael Palmer, 33 Kensington Square, London W8 5HH, England, Telephone Nr. 937 9100 and Telex Nr. 916226 or Mr. Victor Reuter, Banque de Suez-Luxembourg Societe Anonyme 10 Rue Aldringen, Boite Postale 1104 Luxembourg Luxembourg, Telex Nr. 1254 Suez L.

BUILDERS INVESTMENT GROUP.

COMPANY NOTICES

DIVIDEND NOTICE
TO THE HOLDERS OF
EUROPEAN DEPOSITARY RECEIPTS FOR
COMMON STOCK OF

TRIO KENWOOD CORPORATION (FORMERLY TRIO ELECTRONICS, INC.)

DESIGNATED COUPON NO. 26
(Action required on or prior to 31st December, 1976)

Chemical Bank, as Depositary (the "Depositary") under the Deposit Agreement dated as of May 1st, 1970 among Trio Kenwood Corp. (the "Company"), the Depositary and the holders of European Depositary Receipts (the "Receipts") issued thereunder in respect of shares of Common Stock, par value 50 Yen per share, of the Company (the "Common Stock"), HEREBY GIVES NOTICE that at the general meeting of stockholders of the Company held in Tokyo Japan, on 18th August, 1976, such stockholders approved the payment of a dividend of 3.00 Yen per share of Common Stock.*

The Dividend on the shares of Common Stock of record on Deposits with the Custodian under such Deposit Agreement less a portion thereof withheld by the Company on account of Japanese Taxes, has been received by the Custodian, as agent for the Depositary, and pursuant to the provisions of such Deposit Agreement, has been converted into United States Dollars at the rate of 289.95 Yen per United States Dollar.

The Depositary has been advised by the Company that Japan is a party to international agreements with Australia, Belgium, Canada, Denmark, France, the Federal Republic of Germany, Malaya, Netherlands, New Zealand, Norway, Singapore, Sweden, Switzerland, the Republic of Korea, the United Arab Republic, the United Kingdom and the United States of America under which certain persons are entitled to a 15% tax withholding rate on dividends such as the dividend in question. The persons so entitled include residents of such countries and companies organized thereunder meeting certain conditions relating to the carrying on of trade or business in Japan. Persons not so entitled to a 15% tax withholding will be paid a dividend on which a 20% tax withholding rate has been applied.**

To determine entitlement to the lesser tax withholding rate of 15%, it is necessary that the surrender of Coupon No. 26 be accompanied by a properly completed and signed certificate (copies of the form of which are obtainable at the office of the Depositary in London or any Subdepositary) as to the residency and trade or business activities in Japan (if applicable) of the holder of Coupon No. 26. Such certificates may be forwarded by the Depositary to the Company upon its request.

Payment in United States Dollars of the amount of the dividend payable will be made at the office of the Depositary in London or at the office of any Subdepositary listed below, upon the surrender of Coupon No. 26.

SUBDEPOSITARIES

NAME	ADDRESS
Chemical Bank	Frankfurt/Main, Germany
Banque Lambert-Luxembourg, S.A.	Luxembourg City, Luxembourg
Pierson, Heldring & Pierson	Amsterdam The Netherlands

The following table sets forth the amounts payable upon presentation of Coupon No. 26 from the various denominations of Receipts.

Coupon No. 26 detached from Receipts in the denomination of:	Dividend payable (less 15% Japanese Withholding tax)	Dividend payable (less 20% Japanese Withholding tax)
1 Depositary Shares	.08	.08
10 Depositary Shares	.87	.82
50 Depositary Shares	4.39	4.13
100 Depositary Shares	8.79	8.27

Payment in United States Dollars in respect of Coupon No. 26 will be made by United States Dollar check drawn on, or transfer to a United States Dollar account maintained by the payee with, a bank in New York City.

Dated: 20th September, 1976

CHEMICAL BANK, as Depositary
180, Strand,
London, W C 2, ENGLAND.

* 20th May, 1976 has been established as the record date for the determination of the stockholders of the Company entitled to such dividend. All receipts issued in respect of Common Stock not entitled to share in such dividend will be without Coupon No 26 attached.

** Certain holders of Receipts may be entitled upon the fulfilment of certain conditions to reductions in the withholding tax rate applicable to them. The Depositary will, if in its discretion not unduly burdensome and, upon payment of all expenses incurred in connection therewith, take such action as it deems appropriate in the circumstances to assist such holders in availing themselves of such reductions.

Because of Japanese tax requirements applicable to the Company, the Custodian has been asked to remit to the Company, shortly after 31st December, 1976 the excess received by the Custodian over 80% of the dividend payable and allocable to unsurrendered Coupons No. 26.

As a result, persons surrendering Coupon No. 26 after such date will be entitled to receive from the Depositary or any Subdepositary a dividend on which a 20% tax withholding rate has been applied and, if entitled to a 15% tax withholding, will be required (in order to realise such entitlement) to make application to the Company for an additional 5%. Such application may, consistently with the foregoing paragraph be made through the Depositary.

THE RITZ HOTEL LIMITED (PARIS)

DIVIDEND

A final dividend of FF 1.85 per share will be paid on and after 13th October 1976 in Paris at the offices of Banques Vernes et Commerciale de Paris, 29 Rue Taitbout, Paris, in respect of the year ended 31st December 1975. Holders of share warrants to bearer outside the United Kingdom should lodge coupon 115 at the offices of Banque Vernes et Commerciale de Paris 29 Rue Taitbout, Paris and holders resident in the United Kingdom only at the Registered Office of the company, Southampton House, 317 High Holborn, London, WC1V 7NL, by whom payment will be made in due course.

By Order of the Board
R. B. WILSON
London Secretary.

Southampton House,
317 High Holborn
London, WC1V 7NL.
15th September, 1976.

LEGAL NOTICES

Company Number: 285909
Registered in London
In the Matter of
THE COMPANIES ACTS, 1948 to 1967
and
In the Matter of
MERRY BURN & CRUM LIMITED
Registered Office and Business Address: 81 87, Gresham Street, London, EC2V 7DS, formerly of 136, London Road, Sevenoaks, Kent.

NOTICE IS HEREBY GIVEN pursuant to Section 293 of the Companies Act, 1948, that a meeting of the creditors of the above-named Company will be held at 81 87 Gresham Street, London, EC2V 7DS, on 21st September, 1976, at 12 noon for the purpose mentioned in Section 294 et seq of the said Act.

Dated this 2nd day of September 1976.

By Order of the Board,
H. J. F. CRUM EWING,
Director.

LEGAL NOTICES

No. 003084 of 1976

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the matter of SOUTH CROSS DEVELOPMENTS LIMITED and in the matter of the Companies Act, 1948.

NOTICE IS HEREBY GIVEN that a Petition for the Winding up of the above-named Company by the High Court of Justice was, on the 15th day of September 1976, presented to the said Court by GROUP 4 TOTAL SECURITY LIMITED whose registered office is situate at Farncombe House, Broadway in the County of Hereford, Dealer in security equipment, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL on the 25th day of October 1976, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

J. E. BARING & CO.,
214 Queenstown Road,
Battersea,
London SW8 3NX.
(Ref. BRS)
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm, and must be signed by the person or firm, or his or their solicitor (if any), and must be served or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 22nd day of October 1976.

No. 002986 of 1976

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of GOWN MANAGERS LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN that a Petition for the Winding up of the above-named Company by the High Court of Justice was, on the 9th day of September 1976, presented to the said Court by PETER BARRON (MODELS) LIMITED whose registered office is situate at 40-44 Clipstone Street, London, W.1. and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL on the 25th day of October 1976, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

THORNTON LYNNE & LAWSON,
56 Portland Place,
London, W.1.
(Ref. PC)
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm, and must be signed by the person or firm, or his or their solicitor (if any), and must be served or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 22nd day of October 1976.

Babcock growth

Interim Results
(Unaudited)

	Half-year 1976	Half-year 1975	Year 1975
	£000	£000	£000
TURNOVER	294,761	164,857	370,700
TRADING PROFIT	14,072	5,866	15,420
Investment and other income†	3,568	1,485	3,387
	17,640	7,351	18,807
Interest payable (net)	3,529	1,501	2,114
	14,111	5,850	16,693
Share of profits of associated companies	1,067	325	372
PROFIT BEFORE TAXATION	15,178	6,175	17,065
Taxation	6,356	3,000	7,630
PROFIT AFTER TAXATION	8,822	3,175	9,435
Minority interests	53	29	200
	8,769	3,146	9,235
Preference dividends	33	33	66
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS before extraordinary items	8,736	3,113	9,169
ORDINARY DIVIDENDS:	Interim	Interim	Total
cost (£000)	961	437	1,748
per share (pence)	1.0556p	0.4798p*	1.9194p*
† includes currency gains (£000)	2,994	163	2,014

* adjusted to relate to 91,045,218 shares in issue subsequent to the one for one rights issue in October 1975

Mr. John King reports:

Since 1968 the Company has undertaken an extensive programme of diversification with the specific aims of reducing its reliance for profitability upon the needs of the power generation industries and improving overall the return on funds employed. Much progress has been made towards the achievement of these aims and the effects of the latest major changes in corporate structure which occurred in 1975 are now to be seen in the trading results.

The financial strength of the Company has grown accordingly and it is well able to face the current problems in its traditional business caused mainly by the lack of orders from the power generation industry. In the current year, turnover of the Power Engineering Division which has yet to suffer the full impact of this decline in orders, will amount to between 15 per cent and 20 per cent of the consolidated total.

Trading results
The unaudited consolidated accounts for the half year ended 3rd July 1976 show a turnover of £294.7 million (1975: £164.8 million) and a profit before tax of £15,178,000 (1975: £6,175,000). The current year's figures benefit from the inclusion of American Chain & Cable Company Inc (ACCO) which, on a turnover of £97.4 million, earned a profit before tax of £5,219,000 in the first half of 1976. Excluding currency gains, the consolidated turnover and profit before tax of the Company as constituted before the acquisition of ACCO were respectively 19.7 per cent and 23.5 per cent higher than in the corresponding period of 1975.

The increase in turnover reflects higher sales in each of the operating groups. Profits were also higher in every operating group with the exception of the Construction Equipment Group whose results, while good, were below the record level of last year. In the International Group, relatively better results were reported by Claudius Peters AG and Babcock Australia Holdings Limited, but the improvement in profitability of the South African company, anticipated in the review of operations given in the last annual report, should occur later than previously expected. The results for the current year of the Mexican companies will be adversely affected by the decision of the Mexican Government on 1st September 1976 to abandon the fixed parity of the peso with the US dollar. No adjustments have been made in the half-year's accounts to anticipate the still uncertain effects of the change in parity, but it is considered that such adjustments as may be necessary will not be material in relation to the current year's profits of the Company.

The profit before tax reported by ACCO was nearly 36 per cent higher than in the first six months of 1975. The increase was attributable to a significant reduction in the losses of certain North American activities, which have been unprofitable in recent years, and improvements in the results of other North American operations, particularly those serving the automobile industry.

In accordance with the Company's accounting policy, certain currency gains are dealt with through the profit and loss account and the figure for investment and other income includes such gains amounting to £2,994,000 (1975: £163,000). Trade investment income in the first half of 1975 included dividends from Deutsche Babcock & Wilcox AG (£822,000) and Babcock-Hitachi KK (£52,000) but in 1976, following the sale of the investment in Deutsche Babcock & Wilcox AG, no further dividend income arises and in the case of Babcock-Hitachi KK, which is now an associated company, the appropriate share of its profits is brought into account on an equity basis.

Investments
Since the last annual report the Company has made a number of acquisitions, the total cost of which amounted to £5.1 million. The outside interests in ACCO, which at the start of the year accounted for 8.6 per cent of its equity, have now been acquired and it is now a wholly owned subsidiary. In May, Triplejay Equipment (Pty) Limited acquired the whole of the share capital of Potain (Pty) Limited, a South African company engaged in the design and construction of tower cranes. In August, the whole of the share capital of B & F Carter & Co Limited was acquired from BICC Limited. This company, which is located in Bolton, designs and manufactures wire machinery and provides the necessary facilities for rationalising the operations of Babcock Wire Equipment Limited within the General Engineering Group. At the beginning of September negotiations were completed by Claudius Peters AG for the purchase of the whole of the share capital of Kroll GmbH, a company based in Hamburg operating as contractors in the construction of liquid handling installations for the oil and chemical industries and as designers and manufacturers of road tankers for the transportation of mineral oil products. Agreement has also been reached with the parties concerned to purchase the minority interests in Babcock & Wilcox of Africa (Pty) Limited and Bailey Meters & Controls Limited.

Capital expenditure on fixed assets amounted to £7.3 million. In addition, the loan of £962,500 advanced by the Department of Industry in connection with the acquisition of Whipp & Bourne (1975) Limited, has been repaid. The Company's liquid position remains strong and ample resources are available to meet foreseeable demands for finance, including working capital requirements.

Power Engineering Division
In previous statements I have drawn attention to the potential lack of future work in this division. Since then there has been a further worsening of the position as the CEGB has indicated that no new conventional power station orders will be placed before 1980, that is two years later than previously announced, and a further delay seems inevitable before orders for new nuclear plants are awarded.

In the 1980's we believe there should be enough business in the United Kingdom to support an efficient boilermaker. The Company operates two factories in Scotland, the facilities at Renfrew being the best in Britain for the classes of work involved. It is not our wish to reduce the scope of these operations but, if they are to overcome the short term crisis, sufficient power generating work must be secured to support the continuing employment of our team of highly experienced and skilled personnel.

The Company has been a major supplier to the power generation industry and has supported successive government programmes by making significant investments in skilled manpower, plant and equipment to meet the fluctuations in demand for generating plant and to provide components for the various nuclear systems which have been adopted. No company in the worldwide power generation industry has operated a viable business without a domestic market in which there has been a reasonable continuity in the rate of ordering and stability in the types of system required. It follows therefore that monopoly buyers and the government agencies that control them must have a special responsibility to the industries that serve them. The Company is not seeking government "hand outs" but a clear statement of intent, both as to the type of equipment and the rate of ordering intended. If the commitment which follows such a declaration can support a viable business, then we will continue to pursue it energetically with the appropriate investment of resources.

The Department of Industry has been aware of this situation and discussions with them have taken place over a long period. Since the beginning of 1976 talks about planning agreements and the more recent NEDO industrial strategy exercise have both emphasised the fundamental problems in the process plant industry. As a result of these discussions and representations from many other quarters Mr. Varley, Secretary of State for Industry, announced on 15th June 1976 that the boilermaking and turbo-generator industries were to be studied urgently by the Central *Policy Review Staff* with recommendations to be put forward by the end of October.

There is no way of knowing the likely outcome of this study nor the eventual decisions of Government but, with the workload in the engineering departments decreasing, there will have to be redundancies declared in the near future to become effective by the year end unless new orders are obtained. In parallel with our discussions with Government we have throughout the year kept this division's employees informed of the situation, but in view of the uncertainty prevailing we felt it necessary to advise them during August of the potential year end redundancies.

Current trading prospects
The value of all orders on hand at the end of June amounted to £472 million, compared with £493 million at the end of 1975. Orders outstanding for exports and on our overseas companies totalled £275 million and since June our South African company has secured an order for the extension of the Matla power station for ESCOM valued at £100 million. This contract is the largest we have ever been awarded and covers the design, engineering, manufacture, construction and commissioning of three coal-fired 600 MW boilers and ancillaries.

Your board expects that the workload on most units for the remainder of the year should continue at a similar level to that in the first six months, and therefore the trading profit for the second half should be of the same order as that reported here.

Interim ordinary dividend
Your board has declared an interim ordinary dividend of 1.0556p per share payable on 25th October 1976 to shareholders registered at the close of business on 20th September 1976. This dividend represents one half of the maximum annual rate of ordinary dividend permissible under current legislation.

Cleveland House, London SW1Y 4LN
15th September 1976

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A leader in world-wide engineering

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All of these securities have been sold. This announcement appears solely for the purposes of information.

$10,000,000

RHÔNE-POULENC S.A.

8¾% Notes Due 1983

London Multinational Bank (Underwriters) Limited — Kidder, Peabody International Limited — Deutsche Bank Aktiengesellschaft

Banca della Svizzera Italiana — Genossenschaftliche Zentralbank AG Vienna

Société Bancaire Barclays (Overseas) Ltd. — Swiss Bank Corporation (Overseas) Limited

Vereins- und Westbank Aktiengesellschaft

September, 1976

These Notes have been sold outside Canada and the United States of America. This announcement appears as a matter of record only.

NEW ISSUE — September, 1976

US $20,000,000

Avco Financial Services Canada Limited

9¼% Guaranteed Notes due 1983

Unconditionally Guaranteed as to Payment of Principal, Sinking Fund and Interest by

Avco Financial Services, Inc.

Kidder, Peabody International Limited — Salomon Brothers International Limited
Banque Nationale de Paris — Swiss Bank Corporation (Overseas) Limited

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Arnhold and S. Bleichroeder, Inc. — Bache Halsey Stuart Inc. — Julius Baer International Limited — Banca Commerciale Italiana
Banca del Gottardo — Banca Nazionale del Lavoro — Banca della Svizzera Italiana — Banco di Roma
Banco di Santo Spirito — The Bank of Bermuda Limited — Bank of Credit and Commerce International S.A. — Bank Gutzwiller, Kurz, Bungener (Overseas) Limited
Bank Mees & Hope NV — Banque Arabe et Internationale d'Investissement (B.A.I.I.) — Banque Bruxelles Lambert S.A.
Banque de Commerce et de Financement Bancofin S.A. Lausanne — Banque Française du Commerce Extérieur
Banque Générale du Luxembourg S.A. — Banque Internationale à Luxembourg S.A. — Banque de Neuflize, Schlumberger, Mallet
Banque Pariente — Banque de Paris et des Pays-Bas — Banque de Paris et des Pays-Bas (Suisse) S.A.
Banque Populaire Suisse S.A. Luxembourg — Banque Privée S.A. — Banque Rothschild — Banque Scandinave en Suisse
Banque Worms — Baring Brothers & Co., Limited — Berliner Handels- und Frankfurter Bank — Blyth Eastman Dillon & Co. International Limited
Cazenove & Co. — Christiania Bank og Kreditkasse — Commerzbank Aktiengesellschaft — Compagnia Finanziaria Intermobiliare S.p.A.
Compagnie de Banque et d'Investissements (Underwriters) S.A. — Continental Illinois Limited — County Bank Ltd.
Crédit Commercial de France — Crédit Industriel d'Alsace et de Lorraine — Crédit Industriel et Commercial
Credit Suisse White Weld Limited — *Creditanstalt-Bankverein* — *Daiwa Europe N.V.* — *DBS-Daiwa Securities International Limited*
Delbrück & Co. Privatbankiers — Deutsche Girozentrale —Deutsche Kommunalbank— — DG Bank Deutsche Genossenschaftsbank — Dillon, Read Overseas Corporation — Dresdner Bank Aktiengesellschaft
Drexel, Burnham & Co. Inc. — Effectenbank-Warburg Aktiengesellschaft — European Banking Company Limited — Eurotrading Limited — Finacor
First Boston (Europe) Limited — First Chicago Limited — Robert Fleming & Co. Limited — Genossenschaftliche Zentralbank AG Vienna
Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft — Greenshields Incorporated — Hambros Bank Limited — Handelsbank N.W. (Overseas) Limited
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Kleinwort, Benson Limited — Kredietbank S.A. Luxembourgeoise — Kuhn, Loeb & Co. International
Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.) — Kuwait International Finance Co. (KIFCO)
Kuwait Investment Company (S.A.K.) — Lazard Frères et Cie — Lloyds Bank International Limited — London Multinational Bank (Underwriters) Limited
Merrill Lynch International & Co. — B. Metzler seel. Sohn & Co. — Samuel Montagu & Co. Limited — Morgan Grenfell & Co. Limited
Nesbitt, Thomson Limited — Neue Bank — The Nikko Securities Co., (Europe) Ltd. — Nomura Europe N.V.
Sal. Oppenheim jr. & Cie. — Orion Bank Limited — Pierson, Heldring & Pierson N.V. — PKbanken — Rothschild Bank AG
N. M. Rothschild & Sons Limited — Sanwa Bank (Underwriters) Limited — Saudi Arabian Investment Company Inc.
J. Henry Schroder Wagg & Co. Limited — *Skandinaviska Enskilda Banken* — Smith Barney, Harris Upham & Co. Incorporated
Société Bancaire Barclays (Overseas) Ltd. — Société Générale — Société Générale de Banque S.A.
Société Privée de Gestion Financière — Strauss, Turnbull & Co. — Sumitomo Finance International
Trade Development Bank Overseas Inc. — Ueberseebank AG — Union de Banques Arabes et Françaises—U.B.A.F.
Vereins- und Westbank Aktiengesellschaft — J. Vontobel & Co. — S. G. Warburg & Co. Ltd. — Weisscredit Trade and Investment Bank
Westdeutsche Landesbank Girozentrale — Williams, Glyn & Co. — Wood Gundy Limited — Yamaichi International (Europe) Limited

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
14J	14D	Treasury 10½pc 1976‡‡	99⅛	10.5	10.56	12.82
10S	10M	Treasury 6¾pc 1977‡‡	97¾xd	4.8	6.42	12.35
15S	15M	Electric 3pc '74-77	96⅜xd	9.8	10.93	10.93
26M	26S	Treasury 11½pc '77‡‡	99¾xd	20.8	11.57	12.19
15M	15N	Treasury 3pc '77‡‡	93⅜	8.9	3.21	9.08
20J	20D	Transport 4pc '72-77	93⅝	14.5	4.27	9.50
15S	15M	Treasury 9pc 1978‡‡	95⅞	9.8	9.39	12.19
14J	14Ju	Treasury 10½pc '78‡‡	97⅜	7.6	10.79	12.14
26M	26S	Exchequer 5pc '76-78‡‡	92⅛xd	20.8	5.43	9.42
9S	9M	Treasury 11½pc '79‡‡	98⅜	3.8	11.68	12.26
17M	17S	Treasury 3pc '79‡‡	86⅛xd	11.6	3.48	8.33
26M	26S	Electric 4¼pc '74-79	86½xd	20.8	4.93	9.66
1M	1N	Treasury 10½pc '79‡‡	94½	25.3	11.11	12.65
15M	15N	Electric 3½pc '76-79	84⅞	8.4	4.12	9.08
3S	3M	Treasury 9pc 1980‡‡	90⅝	28.7	9.93	12.43
14N	14M	Treasury 9½pc '80‡‡	90⅝	7.4	10.49	12.79
15D	15J	Treasury 3½pc '77-80	83⅜	10.5	4.20	8.83
15D	15J	Funding 5¼pc '78-80‡‡	85⅜	10.5	6.15	10.05
15J	15Ja	Treasury 11½pc 1981‡‡	96⅜	8.6	11.94	12.59
15A	15F	Treasury 3½pc 1979-81	82⅜	9.7	4.24	8.30
1O	1A	Treasury 9¾pc 1981‡‡	89½xd	25.8	10.91	12.93
		Five to Fifteen Years				
15J	15Ja	Treasury 8½pc '80-82‡‡	86¼	8.6	10.04	12.50
17S	17M	Treasury 12pc 1983‡‡	95¼xd	11.8	12.61	13.14
15J	15Ja	Funding 5½pc '82-84‡‡	73¼	8.6	7.56	11.01
10J	10Ju	Treasury 8½pc '84-86‡‡	79	3.6	10.99	12.58
1N	1M	Funding 6½pc '85-87‡‡	67¼	25.3	10.04	12.61
26J	26Ja	Treasury 7¾pc '85-88‡‡	69¼	21.6	11.39	13.26
1J	1Ju	Transport 3pc '78-88	46¼	25.5	6.51	11.44
15A	15O	Treasury 5pc '86-89	50⅞xd	8.9	9.76	12.78
15J	15Ja	Treasury 13pc 1990‡‡	92½	8.6	14.43	14.68
15D	15J	Treasury 8¼ 87 90‡‡	68	10.5	12.54	13.88
5O	5A	Funding 5¾pc '87-91‡‡	50¾xd	1.9	11.28	13.56
		Over Fifteen Years				
22J	22Ja	Treasury 12¾pc '92‡‡	89⅛	15.6	14.65	14.89
14J	14Ju	Treasury 12½pc '93‡‡	87⅛	7.6	14.74	14.98
15M	15S	Funding 6pc 1993‡‡	48¼xd	9.8	12.46	14.11
17M	17N	Treasury 9pc '94‡‡	67½	12.4	13.98	14.63
1N	1M	Gas 3pc '90-95	31⅞	25.3	9.77	12.90
15M	15N	Treasury 12¾pc '95‡‡	90⅛	8.4	14.88	15.02
15S	15M	Treasury 9pc '92-96‡‡	63⅝	9.8	14.14	14.72
15M	15N	Exchequer 13¾pc '96‡‡	92¼	—	14.96	15.07
1A	1O	Redemption 3pc 1986-96	30xd	25.8	9.97	12.71
22J	22Ja	Treasury 13¾pc '97‡‡	90⅝	15.6	14.90	15.06
1M	1S	Treasury 8¾pc 1997‡‡	61¼	26.7	14.27	14.76
1N	1M	Treasury 6¾pc '95-98‡‡	51½	25.3	13.92	14.67
15J	15Ja	Treasury 9½pc 1999‡‡	67¼	8.6	14.50	14.81
14J	14Ju	Funding 3½pc '99-04	27¼	7.6	13.16	14.05
5A	5O	Treasury 8pc '02-06‡‡	54⅝xd	1.9	14.62	14.80
10M	10S	Treasury 5½pc '08-12‡‡	37⅝	4.8	14.58	14.72
26J	26Ja	Treasury 7¾pc '12-15‡‡	53½	21.6	14.82	14.77
		Undated				
1F	1A	Consols 4pc	26¼	25.6	15.27	—
1J	1D	War Loan 3½pc‡‡	25	26.4	14.62	—
1A	1O	Conv. 3½pc '61 Aft.	24⅝xd	25.8	14.15	—
5A	5O	Treasury 3pc 66 Aft.	19¾xd	1.9	15.09	—
5Ja.A.Ju.O.		Consols 2½pc	16⅞xd	1.9	14.72	—
1A	1O	Treasury 2½pc	16¼xd	25.8	15.31	—

**INTERNATIONAL BANK

15F.	15A.	5pc Stock '77-82	73½	14.7	6.84	11.35

**CORPORATION LOANS

1F.	1A.	Birm'ham 9¾pc '79-81	83½	1.7	11.07	14.00
1F	1A	Bristol 6½pc '75-77	97½	16.7	6.66	13.16
30J	31D	Essex 5½pc '76-77	94½	1.6	5.82	13.00
15A	15F	G.L.C. 7¼pc 1977	95	15.7	7.63	13.18
25M	25N	Do. 12½pc '82	97¼	26.4	13.37	14.19
22M	22N	Herts 5½pc '78-80	77	22.4	6.81	13.32
10M	10S	Liverpool 7pc '76-77	94½	10.8	7.40	12.92
15M	15N	Do. 9¼pc '80-84	82	15.3	12.33	14.38
1J.A.J.O.		Do. 3½pc Irred.	22¼xd	1.9	15.85	—
10F	10A	Lon. Corp. 6½pc '76-78	88½	12.7	7.34	13.50
1A	1O.	Do. 9½pc '84-85	75½xd	1.9	12.15	14.00
8F	8A	L.C.C. 6pc '75-78	91	8.7	6.59	13.20
15M	15S	Do 5½pc '77-81	72½xd	16.8	7.59	13.17
15J	15J	Do 5½pc '82-84	62½	15.6	8.92	13.61
11J	11D	Do. 5½pc '85-87	53½	11.5	10.56	14.38
10J	10J	Do 6¼pc '88-90	53½	10.6	12.90	15.02
1M.J.S.D.		Do. 3pc '20 Aft.	19⅓	2.8	15.74	—
1J	1D	Middx. 6¾pc '75-77	92½	3.5	6.76	13.10
15M	15S	Do 5¼pc 1980	78¼xd	16.8	6.68	13.68
10Mr.	10S.	Newcastle 9¾pc '78-80	86¼	10.8	10.73	13.83
15M	15N	Warwick 12¼% 1980	96½	15.4	12.95	13.57

CANADIANS

Dividends Paid	Stock	£	Last xd	Div. Gross	Cvr	Y'ld Gr's
Ma.S.J.D.	Bk. Montreal $2	13	13.7	$1.00	—	4.4
F.My.Au.N.	Bk. Nova Scot. $2	35½	22.6	$1.72	—	2.8
A.Jy.O.Ja.	Bell Canada 25c	42¼	9.9	$3.72	—	5.0
May Nov	Bow Valley‖	18	10.5	10c	—	0.3
O.JaApJy.	Brascan‖	920p	24.6	$$1.00	—	6.2
F.MyAuN.	Can.Imp.Bk. $2	22⅛	22.6	$1.28	—	3.3
July Jan.	Can.Pacific $5	14⅞	22.6	84½c	—	3.3
July Jan.	Do. 4pc Deb. £100	27¼	22.6	4%	—	14.4
J.Ap.Jy.O.	Gulf Oil Can.‖	22¼	30.7	$1.00	—	2.6
Ap.Jy.O.Ja.	Hawker Sid. Can.‖	455p	21.6	36c	—	4.5
F.MyAuN.	Hollinger $5	30⅝	27.7	$1.80	—	3.3
Apr. Oct.	Hudson's Bay‖	14¼xd	30.8	60c	—	2.4
Jan. July	Hud.B.Oil G.$2½	29¼	24.6	$1.40	—	2.8
Mr.Je.S.D.	Imperial Oil‖	17½	26.8	26.8	—	2.6
Mr.Je.S.D.	Inco	27½	28.7	$1.40	—	2.9
F.My.Au.N.	Int. Nat. Gas $1	790p	26.7	80c	—	5.8
Mr.Je.S.D.	Massey Ferg.‖	21⅜	9.8	$1.00	—	2.7
June Dec.	Pacific Pet. $1	22	1.6	80c	—	2.1
—	Place Gas $1	29p	—	—	—	—
June Dec	Rio Algom	27⅞	4.6	$1.00	—	2.0
M.Je.S.D.	Royal Bk.Can. $2	24⅜	19.7	$1.28	—	3.0
SeDeMrJu	Seagram Co. C$1	19⅞	25.8	80c	—	2.3
F.MyAuN.	Tor. Dom. Bk. $1	16⅝	29.6	70c	—	2.4
J.Ap.Jy.O.	Trans. Can. Pipe $3½	10½	24.6	88c	—	0.0
Mar. Sept.	White Pass	650p	15.3	♦35c	—	3.1

S.E. List Premium 41% (based on $1.0917 per £)

BANKS AND HIRE PURCHASE

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's	P/E
July Jan.	ANZ $A1	363	3.5	†Q24c	—	4.2	—
Apr. July	Alexanders D. £1	165	12.7	11.67	—	10.9	—
May Aug.	Algemene Fl.100	£90	17.8	†Q21%	2.6	5.0	9.3
Oct. June	Allen Harvey £1	330xd	6.9	25.0	—	11.9	—
Dec. June	Allied Irish	86	17.5	Q6.89	—	8.0	—
—	Anglo Contnl.	65	373	♦	—	—	26.2
Jan. July	Arbuthnot L. £1	120	28.6	8.28	—	10.6	—
F.My.Ag.Nv.	BankAmer. $2.125	£21⅛	12.8	hQ80c	—	2.1	—
July Jan.	Bk. Ireland £1	265	17.5	‡12.5	—	7.3	—
Mar. Sept.	Do. 10pc Conv.	£103xd	6.9	Q10%	—	‡10.2	—
Sept. April	Bk. Leumi A£1	18	4.5	Q16%	—	8.3	—
Aug. Feb.	Bk. Leumi (UK) £1	210	26.7	7.25	—	5.3	—
June Dec.	Bk. N.S.W. $A2	530	1.6	†Q28c	—	3.0	—
Oct. May	Bank Scotland £1	238	20.4	8.87	3.5	5.7	7.6
A. J. O. Ja	Bankers N.Y. $10	£28¼	24.6	Q$3.00	—	6.0	—
Aug. Apr.	Barclays £1	232	9.8	†8.99	4.7	6.0	5.5
—	Bates (Edward)	20#	674	—	—	—	—
Jan. July	Brown Shipley £1	115	14.6	7.05	—	9.4	—
Jan. July	Cater Ryder £1	200	1.6	15.73	—	12.1	—
Jan. June	Clive Dis'nt 20p	51	3.5	3.8	—	11.5	—
Feb. Sept.	Com'l Aus. ($A1)	275xr	8.3	Q14c%	—	3.4	—
May	Com'zbk DM100	£11½	6.9	†Q18%	—	3.3	—
March	C'hgn Hbk Kr100	£21	15.3	Q11%	—	4.9	—
—	Corinthian 10p	6	574	—	—	—	—
June	Cred. France F75	£18	—	Q9.7%	—	4.4	—
Jan. Apr.	Dawes (G. R.)	75	3.5	5.25	2.9	10.8	5.0
Mar. Nov.	Dawnay Day	11½	3.11	0.5	—	7.0	—
May	Deutsche Bank DM50	£94½	—	Q20%	—	2.1	—
June Sept.	F. C. Finance	27	20.4	1.5	2.0	8.5	9.2
—	First Nat. 10p	1½	974	—	—	—	—
—	Do. Wrts. 75-83	½	—	—	—	—	—

ENGINEERING—Continued

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's	P/E
Jan. June	Wheeuoe	39	17.5	2.62	—	6.7	—
Jan. Aug	Wheway Wtsn. 5p	9½	14.6	0.71	3.8	11.6	3.5
January	Whitehouse 10p	9	17.11	0.37	4.1	6.4	5.9
June Jan.	Williams (W.)	16	17.5	0.8	3.4	7.7	6.0
Dec. May	W'ms & J'ms 5p	8	22.3	0.4	5.2	7.3	4.1
May	Wolf Elect. Tools	60	22.3	‡1.54	7.7	4.0	5.0
Dec. June	Wols'y Hughes	109	17.5	6.0	3.7	8.5	6.7
June Dec.	Wolv'ton Die 10p	12	8.3	†0.7	4.1	9.0	4.2
Apr. Nov.	W'bwell Fdy. 10p	20	28.4	0.97	4.4	7.5	4.6
Apr. Aug.	Wood (S.W.) 20p	36	12.7	3.46	1.1	14.8	9.2
Oct. May	W'h'seRixn 12½p	29½	23.8	†2.36	2.8	12.3	4.5
October	Young A'stn & Y	73	23.8	6.19	1.7	13.1	7.0

FOOD, GROCERIES, ETC.

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's	P/E
Jan. June	Adams Foods 10p	25	3.5	b1.15	2.5	7.1	8.7
Dec. July	Alpine Soft D 10p	68	28.6	h3.03	3.1	6.9	7.1
Jan. June	Ass. Biscuit 20p	67	17.5	2.57	4.0	5.9	6.3
Apr. Sept.	Ass. Brit. F'ds. 5p	52	12.7	1.73	4.6	5.1	6.1
Feb. Oct.	Ass. Dairies	172xd	6.9	1.24	♦	1.1	♦
Apr. Nov.	Ass. Fisheries	30	9.2	0.16	—	0.8	—
Feb. Sept.	Avana Group 5p	14	12.7	0.75	3.1	8.2	6.1
May Nov.	Banks (Sidney C.)	53	5.4	3.0	2.6	9.2	6.4
—	Barker & D. 10p	4	674	—	—	—	—
Apr. Oct.	Barr (A.G.)	155	26.7	5.26	4.8	5.3	6.1
Apr. Aug.	Bassett (Geo)	60	12.7	4.51	2.6	11.3	5.6
Feb. Sept.	Batleys York 10p	43	12.7	2.56	1.5	10.4	5.6
Oct. April	Bejam 10p	62	22.5	b2.5	2.8	6.2	12.5
May Sept.	Bibby (J.) £1	95	23.5	5.92	‡3.1	5.8	5.6
Jan. July	Bishop's Stores	130	12.7	‡2.11	4.0	2.5	13.6
Jan. July	Do. "A" N/Vg	48	12.7	‡2.11	4.4	6.8	5.0
Sept. Mar.	Brit. Sugar £1	290	12.7	b9.29	6.2	4.9	5.8
May Nov.	Brit. Vend'g 10p	6½	6.5	‡2.42	6.6	20.7	3.6
Jan. June	Brooke Bond	33½	3.5	12.37	1.6	10.9	11.3
Dec. June	Cadbury Sch'ps	41	17.5	2.47	—	9.3	9.5
June Jan.	Carr's Milling	30	1.6	‡2.14	—	11.0	4.3
Mar. Aug.	Cavenham	80	9.2	6.22	3.7	7.9	4.9
May	Clifford Dairies	43	29.4	‡1.55	3.5	5.0	9.5
May	Do. "A" N/V	32	29.6	‡1.55	3.3	7.5	6.3
Dec. May	Cullens 20p	78	12.7	4.15	1.5	8.2	12.4
Dec. May	Do. "A" 20p	58	12.7	4.15	1.5	11.0	9.2
Jan. May	Danish Bcn. 'A' £1	113	3.5	6.76	3.6	9.1	4.7
Apr. Oct.	Eastwood (J B) 5p	48xd	6.9	3.44	♦	11.0	♦
—	Edw'ds(Lou.C.)5p	6	474	—	—	—	—
Jan. June	England (J. E.) 5p	25	20.4	1.15	5.0	7.1	4.3
Jan. Aug.	F.M.C.	38	7.75	2.5	♦	10.1	♦
Apr. Sept.	Fisher (A.) 5p	7xd	6.5	0.38	—	12.7	10.2
Mar. Sept.	Fitch Lovell 20p	41	9.8	3.27	1.7	12.4	7.3
Apr. Oct.	Fox's Biscuits	203	8.3	5.0	♦	3.0	♦
July Dec.	Freshbake 5p	9	674	‡0.17	—	‡	—
Dec. July	Gateway Sec. "A"	26	9.3	1.19	4.0	7.0	4.9
Aug. Jan.	Glass Glover 5p	24	12.7	1.74	2.3	8.2	9.0
Jan. June	Goldrei Foucard	26	28.6	‡2.19	2.9	13.0	4.1
—	Hazlew'd's P 20p	34	1.74	—	—	—	—
Dec. July	Highgate & J. 50p	47	—	2.8	1.9	6.5	12.4
Mar. Aug.	Hillards 10p	84	9.3	3.96	2.3	7.3	—
Mar. July	Hinton (A.) 10p	31	14.5	2.35	2.6	11.7	—
Oct. Apr.	Kinloch	128	23.5	†5.7	2.9	6.9	7.7
Mr.Je.S.D.	Kraftco $2.50	£36¼	11.2	†Q72.12	♦	3.3	♦
May Dec.	Kwik Save 10p	98	3.5	13.59	3.3	5.6	11.5
Dec. Aug.	Lennons Gp. 10p	28	12.7	1.35	1.6	7.5	—
Jan. Oct.	Linfood Hldgs.	205	9.8	14.0	1.4	10.5	10.5
December	Lockwoods	58	20.10	3.0	4.9	8.0	4.0
—	Lovell (G.F.)	22	774	—	—	—	—
May Dec.	Low (Wm.) 20p	65	3.5	4.69	1.9	11.4	7.1
Dec. July	Lyons (J.) £1	65	23.6	7.57	0.6	17.9	11.8
Mar. Sept.	Do. 7¾pc Cv. '81	£73	9.2	Q7¾%	—	10.4	—
July Feb.	M'bre Garton 30p	178	28.6	♦b10.0	1.6	8.6	11.0
Oct. May	Matthews (B.)	43	5.4	7.51	1.7	13.9	6.7
Aug. April	M'thews Hgs. 10p	25	28.6	2.47	1.5	15.2	6.7
Apr. Nov.	Meat Trade Sup.	82	23.2	7.15	♦	13.8	♦
Jan. June	Midland Cattle	90	28.6	2.22	7.2	3.8	5.6
June Feb.	Mills (A.J.)	45	14.6	g2.74	3.9	9.8	4.4
Mar. Aug.	Morgan Eds. 10p	44	26.7	3.23	0.8	11.3	22.6
July	Morris'n(W.) 10p	80	26	1.84	5.0	3.6	7.9
Aug. Apr.	Northern Foods	61½	12.7	2.53	3.7	6.3	6.5
Oct. Apr.	Nurdin P'k 10p	75	27.5	†3.0	3.5	6.3	7.0
Dec. June	Panto (P.) 10p	21	17.5	1.54	3.1	11.3	4.3
May Dec.	Peak Holds.	9	775	2.75	1.0	44.7	4.6
Nov. Apr.	Pork Farms 10p	154	1.6	d7.6	2.8	8.7	8.7
Mar. Dec.	Pyke (W.J.) 10p	27	12.12	†0.94	—	‡	—
—	Rainsen Grp. 10p	9	1174	—	—	—	10.3
July Jan.	R.H.M.	39½	1.6	†2.68	1.9	10.4	7.9
Dec. Apr.	Robertson Foods	67	1.6	4.66	2.4	10.7	6.1
Jan. June	Rowntree M. 50p	185	1.6	†7.25	4.5	6.1	7.3

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INDUSTRIALS—Continued

INSURANCE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPBUILDERS, REPAIRERS

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS—Continued

TRUSTS—Continued

Finance, Land, etc.

OILS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

CENTRAL RAND

EASTERN RAND

MINES—Continued

FAR WEST RAND

O.F.S.

FINANCE

DIAMOND AND PLATINUM

CENTRAL AFRICAN

AUSTRALIAN

TINS

COPPER

MISCELLANEOUS

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
July	Burma Mines 17½p.	8½	575	0.1	ϕ	2.0
—	Charterhall 5p	19ed	69	—	—	—
Aug. Feb.	Cons. Murch 10c	650	26.6	†Q80c	1.8	8.0
July	Northgate C$1	305	375	—	—	—
Jan. June	R.T.Z.	163	3.5	5.42	2.1	5.1
—	Sabina Inds C$1	81	—	—	—	—
—	Tara Expln $1	£13½	—	—	—	—
Nov. July	Tehidy Minerals 10p	42	14.6	h1.08	ϕ	4.0
—	Yukon Cons. C$1	140	11.65	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields, assuming maintenance of net dividends on current rate of ACT, are based on middle prices, are gross and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ▲ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- § Not comparable.
- ♣ Same interim: reduced final and/or reduced earnings indicated.
- ♠ Based on 1973 profits.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ψ Excluding a final dividend declaration.
- ♣ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1976-77. M Figures based on prospectus or other official estimates for 1976. N Dividend and yield based on prospectus or other official estimates for 1976. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

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FINANCIAL TIMES

Monday September 20 1976

Glimpse of political power gives relief to Liberals

BY RICHARD EVANS, LOBBY EDITOR

DELEGATES left the Liberal Assembly at Llandudno on Saturday intensely relieved that Mr. David Steel had stamped his *personal authority and style of* leadership on the party and given them a glimpse, however obscure, of the road to political power.

His message which was accepted by the vast majority of the party, was that the only viable strategy for achieving power was to be ready to join a coalition after the next General Election.

Liberals, Mr. Steel said, "must not give the impression of being afraid to soil their hands with the responsibilities of shared power."

Coalition was an underlying theme at the Llandudno Assembly all week. But it was only with Mr. Steel's forceful winding-up speech *on Saturday that the* issue surfaced and was accepted as a sensible and unifying objective.

Mr. Steel's terms, which he deliberately did not spell out (he will insist on a free hand in any coalition negotiations, following an electoral stalemate), were that the political conditions *should be right and Liberal* values retained.

On some issues—racialism was given as an example—there could be no compromise with party principles. Delegates assumed electoral reform would be a vital ingredient of any bargain struck.

The coalition formula, although vague and utterly dependent on the outcome of the next General Election, was enough to rally a party demoralised by lack of electoral success and the trauma of Mr. Jeremy Thorpe's resignation.

There were the expected protests from more than 100 Young Liberals when Mr. Steel came to the sensitive issue of coali*tion, but their placard demon*stration was overwhelmed by the cheers and foot-stamping of the majority of the 1,600 delegates.

Although Mr. Steel lacks the gravitas of Mr. Jo Grimond and the flamboyance of Mr. Thorpe, he came across as a leader with the necessary streak of tough*ness, who knows where he wants* the Party to go.

Until his speech the week's debates were depressingly ineffectual, with over-long resolutions on frequently irrelevant subjects culminating farcically in the rejection of the Party's carefully worked out policy on pay and inflation.

The *new leader's strategy* means the Liberals must make a twofold appeal at the next election, first for support for their own policies and second for support for the idea of a more broadly-based government.

What remains to be seen is which party the Liberals would favour for a coalition. The *greater degree of hostility is* directed at the Tories, but leading Labour politicians have always insisted they are not interested in any form of power-sharing.

Mr. Steel gave both major parties a great deal of stick in his speech.

Before an election Mr. Steel *can be expected to use the* Liberals' political muscle on such issues as devolution and direct elections to the European Parliament to press the case for electoral reform.

During his 75-minute speech he disclosed that he had received letters from both Mr. Callaghan and Mrs. Thatcher indicating their refusal to support the Liberal call that electoral reform should be referred to the Speaker's Conference.

Mr. Steel approached the explosive coalition issue by saying Liberals alone could not break the stranglehold of the two major parties and the bureaucracy of government, trade unions and big business.

"*Let there be no misunder*standing, we are in being as a *political party to form a govern*ment so as to introduce policies for which we stand. That is our clear aim and objective."

Cabinet attacks threat by IRA

By Our Dublin Correspondent

THREE UNNAMED leaders of the Provisional IRA claim in an interview published in a Dublin Sunday newspaper that their organisation killed the British Ambassador to Ireland, Mr. Christopher Ewart-Biggs, and hint that, if they renew their campaign in Britain, they will concentrate on assassinations of *public figures such as Cabinet* Ministers and MPs.

The IRA leaders also say that their campaign of violence "will go on to the end," until they succeed in bringing about a British withdrawal from Northern Ireland. They pour scorn on the women's peace movement, which they describe as a chimera.

The claim yesterday of responsibility for the death of Mr. Ewart-Biggs is the first public one from the Provisionals, although it matches what security forces believe. They say he was killed because he was sent to Ireland to co-ordinate British intelligence activities, and in retaliation for *the activities of the Special Air Services* in South Armagh.

The Foreign Office has already described the allegation about intelligence activities as "absolute rubbish."

Courts move

The Provisionals claim that British civil servants gave a commitment to withdraw from Northern Ireland, explicitly on behalf of the British Cabinet in the talks with the Provisional Sinn Fein in January. The British have always denied such a commitment, although sources have suggested that they might not have been averse to the Provisionals believing there might be one. The interview suggests that the Provisionals regard these talks as merely suspended, and that this is one reason why the campaign in Britain has not been resumed.

One leader is quoted as saying, "we are ready to start there again with devastating effect should we deem it opportune."

There is also a suggestion that the Provisionals might start recognising courts in the south. This could be serious because the current lack of rebuttal of evidence has helped secure many convictions.

The Dublin government's new anti-terrorist laws are held up until at least the end of the *week while President O'Dalaigh* consults his Council of State on the constitutionality of the regulation to give the police power to detain suspects for up to seven days.

Mr. Patrick Cooney, Minister for Justice, admitted yesterday that this was an unexpected move by the president, and *expressed concern about the re*sulting delay.

The Government accepts that the president is within his constitutional rights, but its own advice is that it acted constitutionally by passing the legislation under the terms of its recently declared state of emergency.

Warders' homes attacked, Page 8

THE LEX COLUMN

Costing the Bank's rescue act

By guaranteeing its loan book up to a maximum principal amount of £40m., the Bank of England ensured the solvency of Slater Walker's banking arm (SWL) and checked the threat to confidence that would have followed the downfall of a group which had £95m. of deposits, and also managed £250m. of other people's money along with a sizeable insurance business. However, the true costs of this rescue act are considerable.

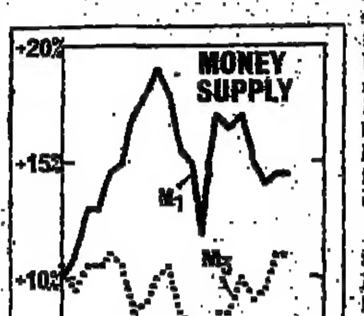
Thanks to the Bank's guarantee, SWL retains a capital base of £21m., and Slater Walker has undertaken to inject a further £10m. "as soon *as practicable." If it could* invest this capital at, say, 17½ per cent. it would, if all went well, be able to repay the Bank its total liability of £50m. or so over a period of about nine years. But the present value of such a future stream of income, discounted at a similar rate, is only about £24m. On this basis, the real cost to the Bank of its £40m. of guarantees is £16m.

The fear of repercussions in the financial system evidently made the Bank think that this price was worth paying, and it may actually have been cheaper to do it this way since the Bank *had extended a secured facility* of £70m. to SWL as a kind of private lifeboat. The way these things are managed, however, it is hard to resist the idea that there is one law for the banking system and another for everyone else. After all, the Bank's paper profit on Burmah's *forced sale of BP shares, which* currently stands at £281m., was the result of the authorities' refusal to provide anything but insufficient interim support on any other basis.

Money supply

There are no new surprises in the money supply figures for the banking month to mid-August but the trend remains uncomfortable. Both M1 and M3 — the narrow and broad version, respectively — were rather less buoyant than in July. Mostly this reflects, however, an apparently random fluctuation in bank lending to the private sector which, seasonally adjusted, fell fractionally in August against the freak £710m. jump in July. It is prudent to assume that lending moved more in line with the underlying uptrend in the September banking month, which ended last week. And as in August there will have been no measurable help from sales of gilt-edged, although various episodes of support for sterling will have helped restrain money supply growth (though not domestic credit expansion).

Over the past three months both M1 and M3 have been rising at annual rates in the 16-17 per cent. range. During the last five months—from the approximate start of the financial year—M3 has grown by 6.1 per cent., seasonally adjusted. If the Chancellor's indication of 12 per cent.



growth is to be met for the full year, M3 cannot expand by *more than 5.6 per cent. over* the next seven months. Hence the pushing of some panic buttons in the last week or two. But the Bank of England will be lucky to repeat its feats of monetary control last autumn, when in four months between August and December M3 increased by only 1.1 per cent.

Bank capital

As the biggest bank in the non-Communist world, Bank of America's plans to raise around $190m. early next month, by offering 7m. shares for sale, highlights the urgent need of the world's major banks to strengthen their capital base.

The rapid growth in world trade, which doubled in value between 1972 and 1974, has put a tremendous strain on banks' capital ratios. In Bank of *America's case its assets* doubled between 1971 and 1975 while its equity capital rose at less than half that rate. As a result, its capital-to-deposits ratio slipped from 21:1 to 28:1: though the preliminary prospectus shows that it has improved to 26:1 over the past six months. By the time next month's stock offering closes, B of A will have added $540m. of new debt and equity to its capital base since the start of the year.

Many other banks have been making similar efforts to strengthen their capital position. Almost all the large Japanese banks have recently announced rights issues which will boost their capital by roughly a third, while in the last six months many continental banks have tapped the Eurodollar floating rate note and convertibles market for funds. Commerzbank and Dresdner Bank have both had sizeable rights issues this year following Deutsche Bank's DM670m. issue last year — Germany's largest ever rights issue. *In Britain, Barclays is the only* big clearing bank not to have *had a recent rights issue, though* it has raised $75m. in foreign currency capital since April.

Pressure to raise extra capital is far less acute for the large French and Italian nationalised banks and the German Girozentrale, which are able to operate with much less capital, by virtue of their state guarantees. But for the private sector banks attempts to raise funds are aggravated by stock market suspicions about the extent of loan losses and the quality of bank earnings. Consequently, a successful stock offering by B of A next month would go a long way towards reassuring those who fear that the economic recovery, especially in the U.S., may be jeopardised by a shortage of bank capital.

Laird group

Contrary to its normal form, the Laird Group has not made a forecast at the interim stage and the reason is that its steel business is still wobbling uncertainly around the break-even mark. Laird is concentrated at the heavy end of the industry where prices and volume have shown nothing like the resilience of the sheet steel specialists. Profits in this division fell from roughly £2½m. to virtually nothing in the half year to June, easing the group total down from £3.5m. to £2m. pre-tax.

For the year as a whole, profits outside steel could rise to over £6m.—more than three times the level of two years ago—thanks in particular to the motor components interests in Germany and a recovery in ship-repairing. The shares have been a weak market recently, but there will still be plenty of cover for a prospective yield of 9 per cent. at 46p.

EEC in no hurry to admit Portugal

By Guy de Jonquieres and Robin Reeves

BRUSSELS Sept 19.

PORTUGAL'S OVERTURES towards the European Community are likely to receive a polite but cool response from Foreign Ministers of the Nine when the new Portuguese Foreign Minister, Mr. Jose Medeiros Ferreira, comes to Brussels to-morrow.

Despite repeated hints by Portuguese authorities in recent months that they are interested in submitting a formal application for EEC membership very soon, it is being made clear to them that their ambitions are regarded as premature.

Following a visit to Lisbon last week-end by Mr. Max van der Stoel, the Dutch Foreign Minister and President of the EEC Council of Ministers, the European Commission said on Friday that a good deal of further groundwork would be necesary before a Portuguese application *could be considered.*

This unusually blunt statement would seem to be intended to avert any suggestion that a Portuguese application might be dealt with in tandem with the entry negotiations with Greece, which are now getting underway.

The official reason for Mr. Jose Medeiros Ferreira's visit here *is to sign two new trade pro*tocols with Foreign Ministers of the Nine who, like EEC Finance Ministers, will be holding their first formal reunion since the start of the summer break.

The Foreign Ministers are also due to sign the final text of an agreement on direct elections to the European Parliament. Though negotiations have dragged on for months, the agreement still does not commit the Nine to a firm date for the first elections but merely obliges them to try to be ready to participate by May/ June, 1978.

For the U.K., Mr. Anthony Crosland, the Foreign Secretary, is expected to stress again the urgency of the fisheries issue, though Britain *has now* abandoned hope that the Ministers will fulfil their undertaking of last July to set a date for a move to 200-mile limits by October 1.

The U.K. is now looking to the October 18 meeting of Foreign Ministers for a firm decision on fisheries limits and on an EEC mandate to negotiate new reciprocal fishing agreements with Iceland and Norway.

Editorial comment, Page 14

Anti-Socialists draw near to victory in Sweden

BY WILLIAM DULLFORCE

STOCKHOLM, Sept. 19.

WITH 90 per cent. of the votes *counted the three non-Socialist* parties appeared to have scored an historic victory in the Swedish General Election tonight. The 44 years of Social Democratic Party rule seemed to be ending.

800 of the 868 electoral districts selected by the Swedish radio computer to portray the *national trend had reported it* was predicted that the non-Socialists would finish with 50.6 per cent. of the votes, the Social Democrats 43.1 per cent. and the Communists 4.6 per cent. If the trend holds this would give the Centre Party, Moderates (Conservatives) and Liberals 180 of the 349 seats in the Riksdag, a *majority of 11 over the combined* Social Democrats and Communists.

Computer experts were not making firm forecasts, but noted that the non-Socialist lead had been maintained from the beginning of the count. Social Democratic Party secretary, Sten Andersson, acknowledged that the trend in the results was "negative," but said he still had "a little hope."

In the non-Socialist camp the Moderates and Liberals had *advanced most from their posi*tions in the 1973 election, when the non-Socialist bloc dead-heated with the Social Democrats and Communists, allowing Prime Minister Olof Palme to continue in office for three years at the head of a minority Social Democratic Government.

The Liberals had gained 1.7 *per cent. and the Moderates* 1 per cent., offsetting a decline of 1 per cent. in the vote for the Centre Party, the largest of the non-Socialist parties. The Social Democrats were running 1 per cent. behind their 1973 results and the Communists were down 0.7 per cent.

Mintoff may scrape home

BY DOMINICK J. COYLE AND GODFREY GRIMA

VALLETTA, Sept. 19.

EARLY RESULTS in the Maltese General Election show a small fall-off in popular sup*port for the Labour Government* of Dom Mintoff but, on the basis of these preliminary indications, hardly sufficient to bring the opposition Nationalists to power.

In an exceptionally high turnout — some 95 per cent. of registered voters actually went to the polls — it looks to-night that a relative handful of votes *in a number of the 13 five-seater* constituencies could finally decide the outcome.

Re-counts were demanded by the Nationalists in two of the first four constituency results, and it is now apparent that the new Government, whether under Mr. Mintoff or (less likely) the Nationalists' Dr. George Borg Olivier, will have a Parliamentary majority of no more than one or two votes.

The recasting of the constituency boundaries has tended to favour Mr. Mintoff's Party and *it looks to-night as though the* Government would be returned with about 50 per cent. of the vote.

Jones call for investment levy meets hostile reaction

BY ADRIAN HAMILTON

EMPLOYERS REACTED sharply yesterday to the week-end suggestion by Mr. Jack Jones, leader of the Transport and General *Workers Union, that a capital* levy be placed on all companies to support greater investment by the National Enterprise Board.

A spokesman for the CBI described it as an "appalling idea." when the Government and most union leaders seemed to accept that the level of profitability of manufacturing industry was *dangerously low and needed to* improve if more investment, and hence more jobs, were to be induced.

Mr. Anthony Frodsham, director general of the Engineering Employers Federation, called it "quite unrealistic" and said the suggestion could serve no useful purpose.

"Presumably the intention of appropriating company profits in this way would be to take money away from successful companies so that the NEB can hand it out to the less efficient.

"At a time of severe economic *difficulty this cannot be suggested* for any but mischievous political reasons."

Mr. Jones' call for such a move came during his union's all-Welsh rally at Wrexham. He demanded a limit to the "record outflow of capital" from the U.K. and the establishment of job creation syndicates throughout the country.

Attacking cuts in public expenditure as economic "claptrap," he suggested that "a capital levy on all firms was necessary to build up investment funds which could be used to support the great initiatives of the National Enterprise Board.

Mr. Jones' call for a compulsory levy on companies to support Government-directed investment is not new. But it touches some extremely sensitive Government spots, both so far as the future of the NEB is concerned and the kind of action that the Government *should take on investment.*

The point is made all the more sensitive because of Mr. Jones' personal importance in the negotiation of wage restraint.

The Government has already said that it is prepared to increase the NEB's over-stretched funds and expects to announce the sums later this year as part of a £200m package of investment proposals.

But ministers and civil servants have recently been trying to play down the NEB's role as an investor in profitable enterprise and to develop more strongly its *role in particular* export or stock-piling schemes and in structural reorganisation of certain sectors. This has already brought some argument from Lord Ryder, the NEB's chairman.

Continued from Page 1

Kissinger

These spelt out the need for a more or less immediate multi-racial caretaker government; a constitutional conference in London attended by that government and representatives of the Rhodesian nationalists: the formation of a transitional government under which elections would be held: and independence within two years.

However, the Tanzanian plan, which is believed to have the backing of the "front line" Presidents, as well as Rhodesia's nationalist leaders, insists on the removal of Mr. Smith, who is seen as the main obstacle to peaceful settlement.

The U.S. plan, on the other hand, certainly sees a role for Mr. Smith in the period leading up to a caretaker Government, and may envisage a role for him in that Government if not in the constitutional conference and transitional Government.

The key difference appears to be that while Tanzania believes Mr. Smith can never accept majority rule, the U.S., and it must be assumed Britain, believe that Mr. Smith is still the only available white politician who can sell the idea of majority rule to the Rhodesian white electorate.

The Rhodesian issue has cast a cloud over Namibia (South-West Africa) which has been the other main subject of Dr. Kissinger's talks here with Mr. Vorster. It is felt that he may have persuaded Mr. Vorster to accept the minimum demand of the black Africans, that a constitutional conference on the territory's future should be primarily between South Africa and the main nationalist party SWAPO.

If a Rhodesian settlement, for which Mr Vorster has himself clearly worked hard, is not possible, then many observers here believe that agreements in the process of being reached on Namibia may also be in jeopardy.

Lusaka: Mr. Joshua Nkomo, leader of the internal wing of Rhodesia's African National Council, has ruled out any further negotiations between himself and Mr. Smith.

Stock Exchange computer caution

BY MARGARET REID

THE COUNCIL of the Stock Exchange is to consider to-morrow, in face of considerable opposition, the way ahead for its most controversial spending project, the £15.7m. Talisman computerised settlement system.

The meeting will provide an opportunity for the Council to take account of a good deal of disquiet in the Exchange about such a large outlay on a new scheme, at a time when a number of member firms are seeing their profits squeezed by sluggish business. The doubts of some members also extend to another new project for a market in traded share options, on which the Council is likely to make further decisions next week.

To-morrow, the Council will consider a letter which its chairman, Mr. Nicholas Goodison, is on the point of sending to member broking and jobbing concerns about the planning for Talisman, on which final decisions are expected to be made in November or December. Opposition, chiefly on cost grounds, has been building up for some time among a few larger, and several smaller firms. Talisman provides for the last and most important instalment of the automation of much stock market work.

The first two stages—the computerised checking of deals between brokers and jobbers, and a new method of bargain accounting—are already in operation. It was estimated that Talisman, which will displace the extensive paperwork in the "ticket" system of settling, will cost member firms some £8m. a year, but should bring savings of around £13m.

Following meetings with senior partners of members firms in May, the Exchange has been scrutinising again the details and total costs of Talisman, and estimates of charges to be made for its service.

As to the capital cost, although prices have been rising, an allowance of 15 per cent. a year for inflation was originally built into the estimates, so there may *not* be a need to increase the figure for the scheme's cost.

Firms have also recently been asked, in a letter from the Exchange's chief executive, Mr. Robert Fell, to provide up-to-date particulars of cost-saving benefits expected from the project, so that these may be used in calculating the charges to be made.

The level of charges is a subject of acute interest to expense-conscious market firms which are feeling the pressure of rising costs in conditions of flagging revenue and falling turnover. The question of how the charges are to be split between the broking and jobbing communities is also controversial.

Many jobbers consider that the existing charges for the bargain accounting system have been unduly heavily weighted against them, and have made representations about that. In some cases, their enthusiasm for Talisman may depend on assurances that they will not be asked to carry what they consider an unduly large share of the burden of its charges, compared with that falling on the brokers. Within the Council, though, it is pointed out that, as the *benefits of Talisman* should be easier to calculate than those of bargain accounting, there should be no great problems in distributing the charges fairly.

In its discussions to-morrow, and in November or December when the final decisions on Talisman are taken, the Council will have to consider the concern at the prospect of a large capital outlay in the present difficult climate.

On the other hand, it will bear in mind what many are likely to think the decisive point—that computerisation is a long-term project whose stages should not be subject to fluctuations in current market trading.

There were reports yesterday that Mr. Colin Harding, senior partner of brokers Bendon Langner, is calling a meeting for October 5 of those he believes are sympathetic to his worries about Stock Exchange spending plans. Proposals to be put are said to include calls for restrictions on the Council's power to raise and spend money, for the sale and leaseback of the £60m. Stock Exchange tower building, and for details of the Talisman scheme to be submitted to members.

A spokesman for the Stock Exchange said last night of the call for this meeting: "Members are obviously free to get together in any way they wish and have done so from time immemorial. The Council is always willing to talk to members, if people have got ideas and suggestions they wish to put."

Weather

U.K. TO-DAY

SUNNY periods, rain or drizzle in W. Fog patches.

London, E, NE, SE and Cent. England, E Anglia, Midlands
Fog or mist, sunny periods. Wind SE, light. Max. 17-18C (63-64F).

Channel Is., SW England, Wales
Drizzle. Fog patches. Wind S. light or moderate. Max. 16C (61F).

NW England, Lakes, Is. of Man, SW Scotland
Rain in places, hill fog. Wind S. moderate or fresh. Max. 15C (59F)

Borders, Edinburgh, Dundee, Aberdeen, Glasgow, Cent. Highlands, Moray Firth, NE Scotland, Orkney, Shetland
Rain at times, hill fog. Wind S. moderate. Max. 14C (57F).

Argyll, NW Scotland, N Ireland
Sunny periods, showers. Wind S. moderate or fresh. Max. 15C (59F).

Outlook: Cloudy, some rain.

Lighting-up: London 19.34, Manchester 19.44, Glasgow 19.52, Belfast 19.59.

BUSINESS CENTRES

		Y'day Mid-day °C	°F			Y'day Mid-day °C	°F
Alexandria	F	29	84	Manchstr.	F	17	63
Amstrdm.	F	19	66	Melbourne	C	24	75
Athens	S	26	79	Mexico C.	S	20	67
Barcelona	F	24	75	Milan	S	21	70
Belfast	C	15	59	Montreal	S	21	69
Belgrade	C	15	59	Moscow	F	13	55
Berlin	C	13	55	Munich	C	14	57
B'ham	F	16	61	Newcastle	F	13	58
Bristol	C	17	63	New York	C	24	78
Brussels	S	20	68	Oslo	C	15	59
Budapest	F	20	68	Paris	S	19	66
Buenos A.	S	21	68	Perth	C	18	64
Cairo	S	33	90	Prague	F	13	55
Cardiff	R	14	57	Reykjavik	F	10	50
Cologne	F	20	68	Rio de J'o	C	23	73
Copenhgn.	C	12	54	Rome	S	24	75
Dublin	R	14	57	Singapore	C	27	81
Edinburgh	S	18	64	Stockholm	F	13	55
Frankfurt	S	17	63	Strasbourg	S	18	64
Geneva	S	14	57	Sydney	S	22	72
Glasgow	C	16	61	Tehran	S	28	82
Helsinki	S	14	57	Tel Aviv	F	27	81
Hong Kong	C	25	77	Tokyo	S	24	75
Jo'burg	S	27	80	Toronto	S	22	72
Lisbon	S	24	75	Vienna	F	17	63
London	F	18	64	Warsaw	S	13	55
Luxembg.	S	17	63	Zurich	S	15	59
Madrid	S	24	75				

HOLIDAY RESORTS

Ajaccio	S	22	72	Istanbul	C	18	64
Algiers	F	28	82	Jersey	C	17	63
Biarritz	S	22	72	Las Plms.	F	25	77
Blackpool	F	18	64	Locarno	S	20	68
Bordeaux	S	22	72	Majorca	S	25	77
Boulogne	F	15	59	Malaga	S	25	77
Casablnc.	F	24	75	Nairobi	S	23	73
Cape Tn.	R	16	60	Naples	S	24	75
Corfu	S	23	73	Nice	S	20	68
Dubrovnik	C	20	68	Oporto	S	20	68
Faro	F	23	73	Rhodes	S	25	77
Florence	S	24	75	Salzburg	F	14	57
Funchal	F	24	75	Tangier	F	23	73
Gibraltar	F	24	75	Tenerife	F	22	72
Guernsey	C	14	57	Tunis	C	24	75
Innsbruck	S	15	59	Valencia	F	25	77
Inverness	F	19	66	Venice	C	20	68
Isle of Mn.	C	16	61				

S—Sunny, F—Fair, C—Cloudy, R—Rain.